EFFECT OF FINANCIAL LITERACY ON SAVING CULTURE AMONG THE YOUTH IN NAIROBI COUNTY

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DECLARATION

I, the undersigned, declare that this is my original work and has not been presented to any institution or university other than the University of Nairobi for examination.

Signed: C.K.K.M____________ Date: ___25.09.22_______________________

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This research project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

I dedicate this work to my family and most of all to my parents for believing in me and their relentless support and inspirational encouragement. Your prayers brought me this far.

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LIST OF ABBREVIATIONS

ANOVA	Analysis of Variance
ATM	Automated Teller Machine
CBK	Central Bank of Kenya
FPI	Financial Practices Index
FSD	Financial Sector Deepening
GDP	Gross Domestic Product
GOK	Government of Kenya
KNBS	Kenya National Bureau of Statistics
MSE	Micro and Small Enterprises
SME	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences
UNCDF	United Nations Capital Development Fund
VIF	Variance Inflation Factors

ABSTRACT

Vision 2030 states that achieving the ambitious goals requires we increase the saving rate from 17% in 2006 to 30% by 2012 however the Central Bank of Kenya annual report shows that our savings are only at 7.07% as at 2019. This means that if the country goes on the same rate, we will not achieve the vision or development. One way of improving saving culture is by increasing financial literacy levels among the youths. For Kenya to attain its ambitious vision 2030, it must address key constraints notably the low saving to GDP ratio. The main objective of the study was to determine the influence of financial literacy on saving culture among youths in Nairobi County. The research was backed by three theories: namely; dual process theory, Life cycle theory and the goal setting theory. A descriptive research design was utilized. The population of the study was the 1,993,390 youths in Nairobi County. The sample was a 100 arrived at using snowball sampling technique. The study relied on primary data which was obtained using a questionnaire. The data analysis involved both descriptive and regression analysis. The regression results revealed that 38% of the variation in saving culture can be attributed to the 7 selected variables in this study. It was evident from the Anova table that the degree of significance was 0.000. This this value was less than the p value of 0.05. Consequently, the model was therefore statistically significant for predicting saving culture based on financial literacy practices. Individually, financial planning practices, debt management practices and education level were found to be significant determiners of saving culture while the other selected study variables did not have a significant effect. The study recommends the need for policy makers to come with guidelines and policies requiring education institutions to offer financial literacy courses at all levels. The government should also invest resources to boost financial literacy as this will be a sure way of enhancing saving culture.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The swift progress of literacy in finance lately continues to attract attention among scholars and practitioners. For example, Hamid and Locke (2021) did a research on how financial literacy affects the savings culture in Malaysia. They reported that financial literacy affects decision making of households positively leading to more savings. As noted by Vijayvargy and Bakhshi (2018) financial knowledge plays an important role on the decisions that are made financially as it represents a systematic effort that is needed to develop positive knowledge and attitudes. According to Bhusham and Medury (2018), financial literacy is linked to positive actions like improved savings in the society.

This study drew support from dual process theory, the life cycle theory as well as the goal setting theory of motivation. Dual process theory by Petty and Cacioppo (1986) is the anchor theory as it assumes individuals who are knowledgeable in financial matters are likely to find facts in order for them to make more informed decisions. The theory therefore hypothesizes a positive effect of financial literacy on savings culture. Ando and Modigliani (1963) developed the Life cycle theory. It states that a person saves the most in their middle age since in the young age most of their salaries goes to housing and education while in old age they are not employed thus no income they consumed what they saved while young. The goal setting theory proposes that in the consumers' top wellbeing their financial behavior can be directly linked to their financial literacy levels (Locke & Latham, 1990).

The study focused on youths in Nairobi County; this is because the Kenyans saving culture is considered as poor due to the low saving rate which is about 5% among other factor (Waruingi, 2013). Kenyan's saving rate stands at 13 percent against a target of 30 percent recommended in the 2030 vision blue print and below the world's average rate of 20 percent (CBK, 2019). The saving culture by Kenyans is a crisis and requires more innovative solutions to enhance it. The current study seeks to investigate how financial literacy influences the saving culture among youths in Nairobi County as they constitute the majority of the population.

1.1.1 Financial Literacy

Being financially literate is defined as the knowhow of managing, investing as well as spending money (Atakora, 2018). Financial literacy is the understanding of financial products by both consumers and investors and their perception on financial risks as well as opportunities that they put basis when making informed decisions that can contribute towards improving their financial statuses (Siekei, Wagoki & Kalio, 2013). Financial literacy, according to Atkinson and Messy (2005), is a mix of clients'/investors' awareness of financial products and concepts, as well as their capability as well as confidence to assess financial risks and possibilities. Financial knowledge is described in this research as the capacity to apply financial knowledge to effectively manage financial resources.

It is very important to put financial literacy on the forefront in a society. In developed countries, it is evident where financial literacy aids in making decision like timely bill payment, and managing debts that in turn advances one's credit score thus supporting livelihoods, enhances economic growth, encourages good financial systems and also help in eradicating poverty in the long run. Financial literacy also enables one to have control on financial future, have more access to use of financial products and have less exposure to fraudulent schemes (Wachira & Kihiu, 2012).

In regard to operationalization, financial literacy has been operationalized before in various ways (Demirguc-Kunt et al., 2018). Financial literacy has been operationalized before in terms of savings, debt management, financial planning and investment practices (Wafula, 2017). Gichamba, Waiganjo, and Orwa (2015) measured financial literacy in terms of knowledge, behavior, awareness as well as financial attitudes. This research tried to determine the level of financial literacy, as defined by the following practices, financial planning, investment and debt management.

1.1.2 Saving Culture

Saving culture is defined as the practice of setting up a portion of an income rather than spending it completely (Waruinge, 2013). The foundation of long-term national, social, financial, as well as economic policies is a strong saving habit. Customary beliefs as well as values that ethnicity, religion, and social groups are handed down from generation to generation are referred to as culture (Guiso, Sapienza & Zingales, 2006). Shoham and Malul (2016) refer to saving culture as how the peoples mind is programmed or their behavior in relation to saving. In the context of this proposal, the saving culture being regarded as a routine of continually saving rather than spending culture.

It is the responsibility of each individual or citizen, as well as financial institutions, to foster a robust savings culture. Poverty can be reduced as well as more wealth created among the poorest members of society through savings. Saving, according to financial experts, is the first step toward financial independence or wealth development. While academics have discovered the possibilities of savings to improve the lives of the vulnerable and disadvantaged, significant information on the drivers of saves in Kenya is still lacking. Savings are important at both the individual and societal levels. Savings rates at the societal level aid in accurately forecasting a nation's rate of growth (Karlan, 2014).

Various methods of evaluating saving culture are used. Lugauer and Mark (2011) operationalized saving culture in terms of funds a person puts a side (spare) for a rainy day (emergency), investment, future spending, and development. Momanyi and Wainaina (2016) measured saving culture as the saving of individual group residing in the same compound answerable to one household head. The current research operationalized saving culture in terms of awareness of saving products and utilization of saving products.

1.1.3 Financial Literacy and Savings Culture

Duesenberry's (1949) relative income theory asserts that a person's savings are determined by his wage appropriation rather than the level of his or her salary; it is also influenced by utilization and is dependent on the level of his or her salary in comparison to the wages of his or her peers. While life cycle theory advanced by Modigliani stating that a person saves the most in their middle age since in the young age most of their salaries goes to housing and education while in old age they are not employed thus no income they consumed what they saved while young (Eriksson &Hermansson, 2017).

Financial literacy is linked to how a person makes financial decisions, hence financial education must cover all facets of finance to help people make the best use of their money. Financially illiterate people are more likely to get into debt, are more likely to invest in highly expensive loans, are less likely to have a savings strategy, and make poor financial judgments (Njuguna, Mutanu, Otsola & Thuku, 2011).

Researchers have argued that one of the personal factors affecting saving is financial literacy education. Financial literacy was linked to improved savings behavior, but it was also linked to financial difficulties. Those who saved more were too less likely to face financial difficulties. Sabri and MacDonald (2010) had studied three thousand eight hundred and fifty students from Malaysian universities. According to the result of the research, those who have a better understanding of their finances are more likely to save efficiently.

1.1.4 Youths in Nairobi County

Kenya's capital, Nairobi, is located in Nairobi County. As per the 2019 Kenya Population and Housing Census, the county has a population of around 4.3 million people. Out of this, 1,993,390 are youths aged between 15 and 34 years. Many of these youths have been saving casually instead of contributing in formal banking (UNCDF, 2018). For example, many young people use M-pesa (a mobile banking application) in managing their finances, that they may or may not be able to manage efficiently because their freedom is not limited as it is in savings accounts, where withdrawals are only permitted quarterly or every six months (Njenga, 2019). While many youths wish to participate in formal banking, policy constraints, geographic access concerns, service fees, documentation concerns, as well as absence of financial awareness may prevent them from doing so (Johnson et al., 2015).

Consumption is becoming more popular among Kenyan youths. The youths in Kenya who make about 60%% of the Kenyan Economy are said to be running the economy of the nation (Ngugi, 2015). This demographic is especially worried with fitting in and keeping up with the latest electronics. They enjoy the benefit of dining out and partying with resources that are sometimes beyond their budgets, leaving them unable to save for the future, a factor that may be characterized by poor financial management mentoring for youths (Youth save, 2019).

Over time there has been little or no effort made in training youths to develop proper spending and saving habits. Basic education systems do not provide for a comprehensive financial literacy module making the skill of financial management a relatively foreign spectacle to the youth (Beverly & Burkhalter, 2015). Young individuals should be taught the importance of saving from an early age. Establishing a savings culture takes a lot of self-control, sacrifice, as well as an unwavering desire for financial independence, as well as a lot of patience over time (UNCDF, 2019).

1.2 Research Problem

The concept of being financial literate by the sector of finance has increased drastically around the world. In formal financial sector, financial literacy is vital as it brings with it a number of benefits. Eriksson and Hermansson (2017) argues that lack of financial literacy generally affects decision making in a household. It may lead to making poor decisions in terms of savings. They recommend financial institutions to take the opportunity and encourage individuals to save hence bridging the gap between financial illiteracy and individual saving. As noted by Vijayvargy and Bakhshi (2018) financial literacy serves an important role in decision making financially because it signifies a systematic effort that is needed to develop positive knowledge and attitudes. According to Bhusham and Medury (2018) financial literacy leads to positive financial behavior like increased savings in the society.

According to (GOK, 2007) Vision 2030 states that achieving the ambitious goals requires we increase the saving rate from 17% in 2006 to 30% by 2012 however the central bank of Kenya annual report shows that our savings are only at 7.07% as at 2019 (CBK, 2019). This means that if the country goes on the same rate, we will not achieve the vision or development. One way of improving saving culture is by increasing financial literacy levels among the youths. According to GOK (2007), for Kenya to attain its ambitious vision 2030 it must address key constraints notably the low saving to GDP ratio. Thus studies and research needs to be conducted on ways to increase savings culture.

Despite evidence of international research in this area, they have generally put more emphasis on specific elements of financial literacy and their correlation with other variables that are different from saving culture. Andoh and Nunoo (2019) based their study on how financial literacy affected financial services utilization in Ghana. They noted the importance of financial literacy by owners of MSEs in explaining to them the why they should utilize financial services. Obago (2019) did a research on how financial literacy impacted the management personal finances and established that most people who were employed experienced financial problems such as: extravagance, mismanagement of credit cards, scarce income, excess debts and poor cash management. Ezejiofor et al. (2018) wanted to establish how relevant accounting information was on how small businesses performed in Nigeria and he came to a conclusion that MSEs had proper book keeping could accurately measure their performance. Since each of these studies was carried out in a different environment, the conclusions cannot be generalized to the current scenario.

Locally, numerous studies have extensively studied the influence of financial literacy across fields. For instance, Iswan, Arasa and Ntale (2020) examined role played by financial literacy in the growth of Microenterprises that were Women Owned in Busia County. Gathungu and Sabana (2018) examined financial literacy of enterprises, access to finances and cost of transactions and the performance of microenterprises in Nairobi. I was noted that financial access was enhanced by financial literacy hence positively influencing the performance of microenterprises. Further research studied financial regulation, financial literacy, and how they influenced financial inclusion in Kenya (Kodongo, 2018). It was established that banking regulation and financial literacy improves financial access. Moreover, Kamakia, Mwangi and Mwangi (2017) while focusing on the wellbeing of public sector employees, studied the relationship that existed between financial wellbeing and financial literacy. It is clear from literature that financial literacy is an interesting area of debate, yet there is little done on financial literacy and its influence on the saving culture more so among youths in Nairobi County. The current research used this knowledge gap to answer research question such as; what is the effect of financial literacy on the saving culture among youths in Nairobi County?

1.3 Research Objective

The aim of this study was to find out the effect of financial literacy on the saving culture among youths in Nairobi.

1.4 Value of the Study

Conclusions of the study will contribute to already existing theories as well as empirical knowledge on financial literacy and saving culture. The results will also aid in developing theories as they will help understand the drawbacks and strength of the current theories to the parameters of the study. On the basis of the suggestion for additional study, additional research may potentially be conducted

The conclusions of the research might be relevant to the policy makers such as the government. The research will serve as government guide on its role in policy making and how financial literacy affects saving culture. This would help the government identify training needs of Kenyans. It will also be of help to other ministries such as Education as it gives them insight on the needs to consider financial literacy in the school curriculum.

The conclusions will aid youths as well as Kenyans in understanding the correlation between the two variables, the research is expected to be beneficial by giving them insight on the significance of financial literacy. They include finance management for instance savings, management of credit, asset accumulation, cash flow management and budgeting. All these practices would contribute to reduced stress that comes with wrong financial decisions.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter widely describes the theories from which financial literacy and saving culture is founded. It also demonstrates the previous empirical research, knowledge gaps, and summarizes with an ideal framework and hypothesis bringing out the relation expected among the study parameters.

2.2 Theoretical Framework

This section examines the hypothesis that underpins the research of financial literacy and saving culture. The study reviewed the following theories, dual process, Life cycle and the goal setting.

2.2.1 Dual Process Theory

This was the anchor theory of the current study. Petty and Cacioppo (1986) argued that a dual process theory focused societal psychology grounds. It recognizes the constraints that can be brought about by intuitive and cognitive processes on the economic assessments which tend to imply failure of financial literacy in yielding financial decisions that are sound (Lusardi & Mitchell, 2011). The Dual Process theory does not agree with the assumption that a group that has embraced financial literacy tend to base their decisions on philosophy styles, that is intuition and cognition (Glaser & Walther, 2013).

Intuition means being able to get awareness without necessarily having implication. Intuition comprises of beliefs, judgments or perceptions which are not observable logically. According to Taylor (1981) decisions based on intuition, are rational since people are so used to being influenced by their emotions influence when making decisions. Glaser and Walther (2013) argues that the informed financial investment due to the influence of financial literacy is moderated by intuition. Cognition is making of decisions systematically with contribution being detailed, summarized, stocked up, used and recuperated. As per Chan and Park (2013), it is a psychological inclusion of the ability to understand, agree, interpret, analyze and lastly administer. They observed that the individuals whose cognition was high had were keen, analytical and could think critically while making decisions.

This illustrates that workshops on financial literacy might influence decision making proficiency through the use of tactics that are simple to comprehend (Fatoki, 2014; Cole & Fernando 2008). The use of intuition may also reduce overtime as individual obtain substantial information from financial education and persons only use intuition whenever relevant information for decision making is insufficient (Obago, 2014). The Dual process theory is applied in this research because of its allegation that individuals with high reasoning tend to find facts and it is expected that they can be moved easily by the relevant information for them to make decisions that are informed. For youths to have a saving culture, they need to be persuaded with facts which can be obtained by being financially literate.

2.2.2 Life Cycle Theory

The lifecycle theory was established by Ando and Modigliani in 1963, and it primarily focused on financial decisions regarding saving, particularly for retirement, and the education of individuals regarding their income in order to optimize its utility over the course of their lifetimes. It confirmed that people accumulate savings during productive jobs up until retirement and then gather around prosperity. It concluded that people budget their expenditures over the course of their lives, considering their anticipated future income.

The life cycle theory makes an effort to explain people's consumption habits. It promotes the idea that saving and spending habits play a significant role in one's life cycle and that debt should be taken on early on with the expectation that it would be repaid with future income. People save over their middle years in order to sustain their consumption pattern in old age. Families are able to sustain their marginal utility of consumption throughout one's lifetime thanks to this saving behavior.

Some of this model's presumptions about human behavior include: individuals have some awareness about the financial resources that they will need in future; that they make knowledgeable choices regarding their financial resources; that they visualize their lifespan and in regards to their lifetime, they can forecast the amount of financial resources they will accrue. The ability to recognize the steps an individual goes through in preparation for retirement makes the theory pertinent to the current research.

2.2.3 Goal Setting Theory

This theory is based on an idea that results are driven by mindful objectives and intentions. As per Locke (1986) and Locke and Latham,goals of an individual control how efficiently tasks are carried out (1990). It makes the case that having specific, challenging goals and receiving the right feedback leads to improved task execution. Particularly, vague as well as easy goals are likely to achieve much while well define goals result to high performance. As per theory individuals ought to be fully committed towards achieving the set goal, expect for feedback as well as exhibit the capacity to perform the task. This infers that when concerns and perceptions of future financial welfare motivate the increment of the efficiency of financial literacy programs.

According to the thesis, financial conduct must be connected to financial literacy in order to maximize consumer satisfaction. As per Hilgert, Beverly and Hogarth (2003) developed a “Financial Practices Index (FPI)” centered upon behavior that is of benefit to an individual in cash flow management, credit management and services pertaining investing and saving. A contrast between FPI outcomes and the results from a quiz about being financial literate proved highlighted a definite link of the scores in financial practices index and scores in financial literacy proving the relationship that exists between the financial knowledge of and individual and his financial practices.

According to Chemjor (2015) Goal setting Theory encourages and motivates individuals to increase their savings. Savers are constantly looking to ensuring that the goals are being attained and modifying the goals where they are attainable where they are not attained. There is some relevance of this theory to this study due to its consideration on saving culture being affected by an individual's goals and those goals influenced by the level of financial literacy.

2.3 Determinants of Saving Culture

There are numerous saving culture determinants. These variables often affect practically everyone, whether they work in the public or private sector. They comprise financial literacy, education level, gender, age and level of income.

2.3.1 Financial Literacy

There is a definite link connecting financial literacy and the way one makes his/her financial decisions thus the need for financial education to entail every aspect of finance as it would enable the individuals manage their earnings more effectively. There is a high chance for individuals who lack financial literacy to make bad decisions on their earnings such as incurring debts, investing in mortgages that are extremely expensive and making poor decisions regarding their savings (Njuguna, Mutanu, Otsola & Thuku, 2011).

Researchers have argued that one of the personal factors affecting saving is financial literacy education. With Financial literacy there are better savings behavior however there was a negative link with financial problems. Those who saved more were too less likely to face financial difficulties. Sabri and MacDonald (2010) had studied three thousand eight hundred and fifty students from Malaysian universities. The study finding suggests that respondents who have a greater knowledge of their finances are more likely to engage in a saving behavior that is more efficient.

2.3.2 Education Level

In a case study conducted by Momanyi and Wainaina (2016) stated there’s a clear relation of the level of education that there is a close and how people save. They found that close to 45% of parents who don’t have a diploma from high school had saved for their children’s education post-secondary this compared to 63% of parents who had a diploma from high school and 78% of those who had a degree from the university. On the contrary Muriithi and Muriithi (2015) in their study conducted in Nyandarua County in Kenya where they did not find a substantial link between education level and saving behavior.

Mishra and Chang (2009) results demonstrate that education fulfillment by administrator and life partners have positive effect on the choice to save and invest. Momanyi and Wainaina (2016) indicated that the one’s education level took on a substantial part to influence the level of savings. The results from the research revealed that respondents who had more intention to save were had a higher level of education than those who were less likely to adopt the saving culture.

2.3.3 Level of Income

Another factor that affects savings is level of income. Goodfellow (2007) states that the level of income affects the saving levels he cite a case where a woman quits job after marriage to take of the family this directly reduces the man's and family income in general affecting their level of saving in addition. Momanyi and Wainaina(2016) stated that the income level had significant effect on level of saving in families and to the person, they also stated that in families where one partner or person lost employment the level of saving significantly went down. Muriithi (2015) in their study noted that income has a substantial impact on the level of saving in a household; they found that there was increased annual saving with an increase in the level of income.

In addition, the permanent theory developed by Friedman (1957) implies that households that have a higher level of income are differentiated from those that not well off or do not ha a stable source (permanent income) and both positive and negative nonconformities from that level were referred to as transitory income. The theory states that income, capital and employment are the main economic factors that determine the level of consumption and saving. With a rise in the earnings level, there is also an increase in the amount saved while consumption does not affect the budget of an individual hence much is left as savings. Poor saving culture is caused by the low income. Unemployment causes low income but high expenditure hence poor saving culture. Unavailability of capital leads to low income which will subsequently lead to poor saving culture. Another social class that cause low-income include an increased dependents number, poverty and high living standards (Friedman, 1957)

2.3.4 Age

According to life-cycle model developed by Modigliani in the early 1950s, the youth and the elderly have low income and saving, it indicates that middle aged individuals possess a higher productivity, income as well as save more for their retirement age. The theory states that majority of young induvial have the need to consume more than they are willing to save and that most of their payment goes to shelter and education the reason for very little saving. As one develops more established, he settles the obligations he caused before and the rate of sparing tends to build to an ever increasing extent. At the point when individuals resign and they have no wage they are left with no decision other than to expend from their investment funds. The greater part of them have a tendency to get in early low-pay years, reimburse those credits and develop riches amid the high-salary years, and after that spend off the gathered investment funds amid retirement this according to Modiglian theory.

In a study conducted by Lugauer and Mark (2011) they indicated that saving takes a Ushape in China this is because young people save as they anticipate high school fees for their kids while the old anticipate high medical fees. They analyze and uncover proof that moving the responsibility of health and education from the government to citizens has culminated in the u-shape.

2.3.5 Gender

According to Momanyi and Wainaina (2016), in their study the outcome show that as the bargaining and discretionary power of some women rise, their overall saving rate increase suggesting a substantial gender effect on overall saving while Muriithi and Muriithi, (2015) in their study conducted in Nyandarua county found there is a significant relation of gender to household saving and investment in that women tend to invest in more risk averse areas as compared to men.in addition Hermansson (2013) states that the objects examined behave contrarily for males and females.

Hermansson (2013) indicates that despite the fact that single ladies have square with motives as single men to possess a greater chance of utilizing a consultant when saving and investment thought processes are solid – since singles may have a more prominent need to develop prudent putting something aside for retirement than people dating– the adjustment in odds is just factually noteworthy for males. Ladies rate every one of the three sparing thought processes superior than men, however just the rationale to put retirement savings demonstrates a measurably noteworthy association with the utilization of an advisor on financial matters for the two people.

2.4 Empirical Review

Locally and globally research have established the link with financial literacy and saving culture, the objectives, methodology and results of this research are reviewed.

2.4.1 Global Studies

Lusardi and Mitchell (2016) did a research to find out how financial literacy levels impact entrepreneurs performance. They established that the individuals whose financial literacy was limited were prone to being exploited on savings, management of debt,credit and are unable to utilize their wealth effectively, for instance funding in the stock and money market also select a better profile and therefore end up doing a poor planning. On the other hand, individuals who comprehend more on financial literacy could choose a viable portfolio whose finance costs are low. Furthermore, they also noted that the financially literate individuals are in a position to create more wealth and can utilize resources optimally at a cheaper cost.

Siekei et al. (2017) did a study on finance gain and being literate financially.They established that gaining funds by MSEs is an answer to production, competition in the trade, growth of business, and poverty eradication in the third world nations. The study had some constraints such as formalization structure by SMEs in the financial institutions thus the failure to reach the set norms by investors in proving their capability of repaying the advanced loans which led to them being denied the finances and also being declared risky. These challenges makes contribution of SMEs in investment less as compared to those firms that are already established. SMEs in most cases rely on in come from the informal sources such as lenders that are not regulated, advances from family and friends which poses a challenge in its growth. However, as much as they opt for the informal sources, self-supporting is also held back by the saving proficiencies of most SME's being low.

Seshan and Yang (2018) conducted a study measuring how the decisions on finance by theof workers who are Indian migrant working in Qatar with their spouses living in India were influenced by savings post training on financial literacy. The research sample comprising 232 married, male migrant workers of Indian heritage living in Doha,157 of them were casually assigned to a three-hour financial knowledge class on how to create and execute household savings plans, which was followed by a dinner which lasted two hours and 75 workers were not trained. There was some positive behavior change noted in the study whereby 48.4 per cent of the migrants who were invited were more likely to involve their wives in making their financial decisions.

Lusardi and Tufano (2019) survey was to establish financial occurrences, debt literacy, as well as over indebtedness that existed among the Americans. They noted that from the selected people, three quarter were not able to comprehend the importance of increase of interest to the performance of their bussiness. They could neither understand how effective a credit card is. However, they did acknowledge that the marginalized, women, single parents and the elderly are mostly affected by poor financial supervision and their constrained resources.

Obago (2019) did a study on how financial literacy impacted the management of individual finances where he found out majority of the people working suffered pressure that resulted from poor financial decisions such as:, Mismanagement of credit card, extravagance, scarce income over-indebtedness and poor cash management. These encounters making it hard for the employees to meet their daily needs hence low productivity and poor performance at work. Difficulties resulting from financial illiteracy have caused many organizations in the U.S to provide financial education in the workplace so as to empower the employees with personal finances management skills.

2.4.2 Local Studies

Agunga (2016) explored the effect of financial literacy on retirement preparedness financially and permanent and pensionable workers. The research evaluated how employees' capacity to compute their financial readiness and retirement benefits is influenced by their grasp of financial instruments. The research applied a descriptive study plan, and the research's group was made up of permanent and pensionable workers of state agencies from Nairobi with up to five years of work experience. The study included 4,619 employees as a sample, and the results revealed financial literacy was effective on computation skills and preparedness for retirement financially. The results reveal that demographic and financial parameters greatly affect the link between retirement financial preparation and financial literacy.

Wafula (2017) sought to identify how financial increase by farmers of small scales in Tranzoia is affected by financial literacy. The population target was small-scale farmers from Tranzoia County. 384 farmers made the sample size. The tool used for data collection was Questionnaires. During the data study inferential and descriptive figures were applied. The used descriptive statistics comprised of means, standard deviation and percentages and frequencies. On inferential statistics, the relationships between parameters was identified using linear regression. The research established that the access and the utilization of financial practices influenced the saving, debt management, financial planning as well as investment habits by farmers who are scale to a greater extent. The study concludes that the link between financial inclusion and saving, debt management, investment and financial planning practices were significantly positive.

Dupas and Robinson (2018) carried out a study in the rural Kenya and established that an elimination costs associated with account opening had a significant positive link with the number of savings accounts opened and on the amount of investment among the small entrepreneurs. The research was based on 250 independent people who included taxi drivers and market vendors of a market in western Kenya, a random selection was done to a half of the population target for an offer to open for them a bank savings account at bank in the village. The cost that was incurred by the research team was Ksh 450 for every account opened and every client given at least Ksh 100 for which withdrawals were not allowed, the account had an negative interest rate effectively due to the withdrawal charges, the individuals who got the chance of opening a savings account in this intervention were 156, those who opened and used it at least once was 47 per cent, 41 per cent became active users of the account and made over two deposits within the first half of an year whereas 13 percent did not unlock an account, 40 percent did open the account but did not make any deposit. There was an increase by 38-58 per cent in average daily investment by the treatment group in the business among the market vendors, with daily personal spendings increasing by 37 percent compared to the contrast, four to six months after the accounts were offered. There was no any substantial impact noted on the bicycle taxi drivers.

FSD (2019) and Master card (2019) tried to establish the effect of financial literacy on individual finances manangement amongst Kenyan banks workers using 100 respondents as the sample, it was found out that individuals with more skills are more affirmative to better financial decisions and a higher levels of domestic wealth whereas poor numeracy mixed with redundant expenditures. People with good numerical competence and financial knowledge are also more inclined to invest in stocks and participate in financial markets.

Nyambura (2019) wanted to determine the determinants of saving and investment among the workers of Wells Fargo Kenya Limited. A descriptive analysis plan was applied in this investigation. The sample group consisted of 572 Wells Fargo Limited employees, including top management from important divisions, middle managers, and other staff members. The research had a total sample size of 58 staff members. Data was collected through questionnaires, and correlation survey was utilized to identify the correlations among the research parameters. This was done with Excel and the (SPSS version 24). Employees' saving and investing levels are heavily influenced by investment reasons (retirement, development, precautionary, and bequest), according to the study. Furthermore, it was discovered that various micro characteristics (financial literacy, income level, risk (nature) of work, and family size) had a significant impact on employee saving and investment levels, however religion has no impact.

2.5 Summary of the Literature Review and Study Gaps

The conceptual analysis depicted the projected link connecting financial literacy and saving culture. There has been discussion of influential figures in saving culture. From the research analysed, there exists a gap of knowledge that needs satisfaction. Numerous conclusions have been drawn about the connection of financial knowledge and savings culture from the studies that have been analyzed. The disparities across the studies can be accounted for by the various operationalization of financial literacy used by the researchers, showing that the operationalization model affects the results.

Additionally, numerous studies used various designs, some of which depended on empirical analysis to draw conclusions and others of which relied on existing literature to assess the relationships between the variables. Researchers' inconsistent results made it difficult to pinpoint the precise connection linking saving culture and being literate financially. This underlines the requirement for additional study in future research to bridge the gap through conceptualizing the impact of financial literacy on saving culture.

2.6 Conceptual Framework

Displayed in figure below is the forecasted link between the parameters. The determinant parameter was financial literacy given by financial planning practices, debt management practices and investment practices. The control variables were education level, income level, age and gender. The response variable was saving culture given by awareness of saving products and utilization of saving products.

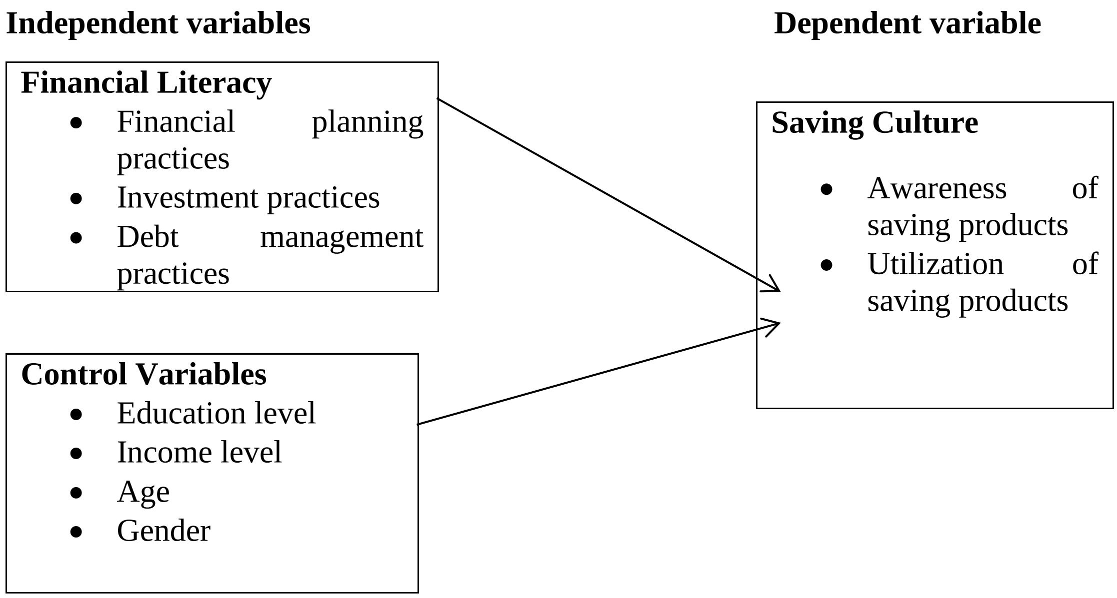

Figure 2.1: The Conceptual Model

Source: Researcher (2022)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section describes the ways used in realizing the study aim which was to establish how financial literacy influence saving culture among the youths in Nairobi County. Particularly, the topic comprises the; the plan, data collection, and survey.

3.2 Research Design

A descriptive plan was assumed in establishing how financial literacy and saving culture among youths relate. This design was suitable as the analyst was particularly focused on the nature of the event (Khan, 2008). Additionally, it was adequate for describing how the occurrences are related to one another. Additionally, the plan represented the parameters in details, providing adequate solutions to the questions in the research (Cooper & Schindler, 2008).

3.3 Population

This is defined as all information from a group of interest e.g an occurrence specified in an investigation (Burns & Burns, 2008). The population of the research was all the 1,993,390 youths in Nairobi County (KNBS Census Report, 2019).The table below displays the population.

Table 3.1: Target Population

Sub-County	Population
Dagoretti	195,305
Embakasi	473,224
Kamukunji	123,744
Kasarani	365,461
Kibra	78,232
Lang'ata	83,440
Makadara	85,255
Mathare	94,657
Njiru	268,668
Starehe	102,122
Westlands	123,282
TOTAL	**1,993,390**

Source: KNBS Census Report (2019)

3.4 Sample

A snowball sampling methodology was utilized. In a non-probabilistic sampling method known as snowball sampling research participants solicit additional participants for a test or research. When finding participants is difficult, it is used

(Cooper & Schindler, 2008). This technique was preferred as the contacts of youths in Nairobi County were not readily available. Further, it was easier for participants to participate in a study if they are introduced by someone they know.

The research used Yamane (1967) formula which has a 90% CL to approximate the size of the sample.

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n = sample size

N = population size

e = the level of precision

1 = Constant

$$n = 1{,}993{,}390/\ 1+ 1{,}993{,}390\ (0.1)^2$$

$$= 99.99 \approx 100 \text{ Youths}$$

Substituting these values in the above equation gave 100 respondents that were used as the sample size for the current study.

3.5 Data Collection

This study used raw data that was gathered by issuance of questions to 100 respondents. The questionnaires had closed-ended questions. Closed-ended questions are those questions that have predetermined responses in order to restrict the respondents to the intents of the enquiry. The inquiry form had five subdivisions where the initial segment sought to gather bio data on the respondents and the rest of the sections collected statistics on the independent and dependent parameters. The questionnaires were distributed to the respondents using Google forms.

3.6 Data Analysis

To analyze the figures, SPSS software version 24 was employed. The results were demonstrated quantitatively in tables and graphs. By using descriptive data measures of central tendency and dispersion were calculated. The standard deviation was provided for each variable. Correlation and regression will be used in inferential statistics. The standard of the relationship of the research parameters was got through correlation, while causes and effects of the relationships was got through regression. The connection of the dependent and independent variables was got by a multivariate regression.

3.6.1 Diagnostic Tests

Diagnostic examinations were completed to establish the normality, heteroskedasticity, multicollinearity, and autocorrelation. Normality tests determine whether a normal distribution appropriately represents a set of data and calculate the probability that a random variable have a normal distribution in data collection. The Shapiro-Wilk test was ideal for normality tests because it allows one to see the relationship between data and corresponding normal scores using power. The null hypothesis was that there is no significance difference between the variables and a normal distribution.Therefore, given a p-value of less than 0.05, the null hypothesis was rejected for the variable, which means a statistically significant difference between this variable and normal distribution and vice versa.

The existence of a relationship between the variable values based on connected attributes was determined using autocorrelation. To find patterns in the data, the autocorrelation function was used. Durbin Watson was performed to check autocorrelation. The thumb rule applied was that if the Durbin-Watson statistic is above four, there is negative autocorrelation, while if the Dublin Watson is less than four, then there is no autocorrelation. A multicollinearity test was performed to determine a significant correlation between predictor variables. Variance Inflation Factors (VIF) was utilized. When a regression's error variance is distributed throughout the independent variables, heteroskedasticity was used to confirm this. When data do not support the homogeneity of variances assumption, robust standard errors was used. This was checked using the Levene test (Burns & Burns, 2008).

3.6.2 Analytical Model

This equation was used

$$Y= \beta_0 + \beta_1X_1+ \beta_2X_2+ \beta_3X_3 + \beta_4X_4+ \beta_5X_5 + \beta_{6D}X_6+ \beta_7X_7 +\varepsilon$$

Where: Y = saving culture

β_0 =y intercept of the regression equation.

β_1, β_2, β_3, β_4, β_5, β_6, β_7=are the regression coefficients

X_1 = Financial planning practices

X_2 = Investment practices

X_3 = Debt management practices

X_4 = Education level

X_5 = Income level

X_6 = Age

X_7 = Gender

ε =error term

3.6.3 Tests of Significance

The significance of the whole design and variables was determined via parametric testing. ANOVA was used to do the F-test, which established the design significance, and a t-test, which determined the relevance of each variable.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter primarily presents the study of the figures collected, the results and the discussion of findings where the current study findings are related with previous studies. Specifically, the chapter covers the response rate, the descriptive study, correlation and regression study conducted to attain the objective of this study.

4.2 Response Rate

The analyst issued 100 questionnaires to different youths in Nairobi County that was the subject of the study. A perfect 100% of the 100 administered questionnaires were completed, filled out, and returned. As per Cooper and Schindler (2008), a study that has achieved a feedback rate of 70% should be regarded excellent for data analysis and inference. The study's findings are displayed in table below.

Table 4.1: Response Rate

Response Rate	Frequency	Percentage
Returned	100	100
Unreturned	0	0
Total	**100**	**100**

Source: Field Data (2022)

From the table, it was deduced the study achieved a 100% response rate. This implied that the data that was collected for the study was good for analysis, interpretation and inference.

4.3 Reliability Test

The questionnaire items were subjected to reliability tests which were done by the use of Cronbach’s Alpha. Internal consistency reliability test was done which was given by the Alpha coefficient which lies between 0 and 1. This kind of reliability test evaluates a respondent's capacity to respond consistently to comparable questions within a scientific poll. A higher coefficient implies a higher internal consistency of the research instrument. This research used a value over 0.7 as adequate to conclude internal consistency. The variables in the research instrument, the number of items per variable, Cronbach’s Alpha coefficient value of the questionnaire items and decision of the researcher, are as depicted on the Table 4.2.

Table 4.2 Reliability Results

Variables	No. of Items	Cronbach’s Alpha	Critical Value	Conclusion
Saving culture	4	0.826	0.7	Reliable
Financial planning	4	0.983	0.7	Reliable
Investment	4	0.866	0.7	Reliable

Debt management	4	0.827	0.7	Reliable
Education level	7	0.843	0.7	Reliable
Income	7	0.849	0.7	Reliable
Age	4	0.873	0.7	Reliable
Gender	2	0.821	0.7	Reliable

Source: Research Data (2022)

The Table 4.2 outcomes indicated a relatively high degree of consistency in the variables. Financial planning returned the highest alpha of 0.983 while gender variable had the lowest at 0.821. The eight variables had alpha way above the 0.7 recommended by Burns and Burns (2008). The decision points therefore confirm that the study variables were reliable.

4.4 Demographic Analysis

The study aimed at understanding the general features of youths in Nairobi County that were being surveyed. The demographic characteristics considered in this study are age, gender, the level of education and income .

4.4.1 Respondents' Gender

The respondents of the issued questionnaires were requested to indicate the gender of the respondents. The table below presents the results.

Table 4.3: Gender of Respondents

Gender	Frequency	Percentage
Male	53	53%
Female	47	47%
Total	**100**	**100%**

Source: Field Data (2022)

As indicated by the outcomes above in Table 4.3, the highest number of the respondents was men recording 53 percent while women recorded 47%. This result indicated that the researcher tried to observe gender diversity in data collection, there was no great disparity amongst the number of male and female youths amongst the responders.

4.4.2 Age of the Respondents

The research aimed on establishing the respondents age in this study. The study age was regarded as important since the age would act as an influence on the response given. Table below gives the findings.

Table 4.4: Respondents' Age

Number	Frequency	Percentage
15-19 years	9	9%
20-24 years	20	20%
25-29 years	38	38%
30-34 years	33	33%
Total	**100**	**100%**

Source: Field Data (2022)

As Table 4.4 depicts 9% of the youths in Nairobi County were aged between 15 and 19years, 20% were between the age of 20 and 24 years, 38% were between age 25 and 29 years while 33% were between age 30-34 years. These results showed that all the participants included in this research were indeed youths as they were all aged below 35 years and they were also 15 years or older. The implication of this finding to the current study is that the 100 respondents were in the right age to respond to the questionnaire in this study and therefore sufficient to provide conclusive results.

4.4.3 Education Level

The target responders were implored to display their highest educational level. These are the outcomes shown in Table 4.5.

Table 4.5: Education Level

Level	Frequency	Percent
Secondary	7	7%
Certificate	12	12%
Diploma	21	21%
Degree	42	42%
Masters	18	18%
Total	**100**	**100**

Source: Field Data (2022)

The outcomes of the study indicate that 7% of the participants had secondary education as their highest educational level attained, 12% attained a certificate as their highest educational level, 21% attained a diploma as their highest educational level, 42% attained a degree as their highest educational level while 18% attained a masters as their highest educational level. This implies that the participants sampled attained different educational levels and therefore sufficient to provide inclusive results.

4.4.4 Income Level

It was a requirement for respondents to illustrate their average monthly income level. The results are summarized in Table 4.6.

Table 4.6: Income Level

Level	Frequency	Percentage
Below 20,000	7	7%
20,001-50,000	37	37%
50,001-80,000	30	30%
80,001-100,000	12	12%
100,001-150,000	9	9%
150,001-200,000	3	3%
Above 200,000	2	2%
Total	**100**	**100**

Source: Field Data (2022)

Table 4.6 results revealed that most youths in Nairobi County (37% earn between Kes. 20,001 and 50,000, 30% earn from 50,001 to 80,000, 12% earn from 80,001 to 100,000, 9% earn from 100,001 to 150,000, 7% earn below 20,000, 3% earn between 150,001 and 200,000 while only 2% earn above 200,000. This is an indication that the sampled respondents had different income levels and therefore likely to provide diversified results.

4.5 Analysis of Study Variables

The study employed use of descriptive analysis measured by use of means and standard deviation. The mean was used as central tendency measure which was utilized to give a description of the most representative value in a set of other values used in estimation. The standard deviation used was to measure how much the items in the set of analysis differ (deviate) from the central tendency (mean).

4.5.1 Financial Planning Practices

The study investigated financial planning practices among youths in Nairobi County. To collect data, the respondents were to rate statements about their financial planning practices with the use of a Likert scale. Table 4.7 contains the mean and standard deviation for financial planning practices measure.

Table 4.7: Descriptive Statistics for Financial Planning Practices

Statements	N	Mean	Std. Dev
I budget for my money/ income I receive	100	3.52	0.75
I keenly watch my finances on an individual level.	100	3.41	0.81
I thoroughly examine if I will afford something before purchasing it.	100	3.45	0.86
In general, I meet my financial objectives	100	3.36	0.80
Overall mean Score	**100**	**3.44**	

Source: Field Data (2022)

The outcomes revealed that respondents budget for their money/income they receive greatly (Mean =3.52, std. dev=0.75). Outcomes further showered that respondents keenly watch their finances on an individual level moderately (Mean=3.41, std. dev=0.81). Respondents also thoroughly examine if they will afford something before purchasing it to a moderate extent (Mean=3.45, std. dev=0.86). Moreover, the outcomes showed that respondents generally meet their objectives to a moderate extent (Mean= 3.36, std. dev=0.80). 3.44 was the overall mean signifying that on average, youths in Nairobi County practice financial planning to a moderate extent.

4.5.2 Investment Practices

The study investigated investment practices among youths in Nairobi County. To collect data, the respondents were to rate statements about their investment practices with the use of a Likert scale. Table 4.8 contains the mean and standard deviation for investment practices measures.

Table 4.8: Descriptive Statistics for Investment Practices

Statements	N	Mean	Std. Dev
I am aware of a number of viable ventures in which I could put my money.	100	3.59	0.61
I invest my money in a variety of different ways	100	3.45	0.78
I have invested some of my income in short term investments	100	3.95	0.74
I have invested some of my income in long term investments	100	3.80	0.76
Overall Mean Score	**100**	**3.70**	

Source: Field Data (2022)

The outcomes revealed that respondents are aware of a number of viable ventures in which they could put their money greatly (Mean =3.59, std. dev=0.61). Results further revealed that respondents invest their money in a variety of different ways moderately

(Mean=3.45, std. dev=0.78). Respondents have also invested some of their income in short term investments greatly (Mean=3.95, std. dev=0.74). Moreover, showered that respondents have invested some of their income in long term investments to a great extent (Mean= 3.80, std. dev=0.76). 3.70 was the overall mean signifying that on average, youths in Nairobi County practice investment to a great extent.

4.5.3 Debt Management Practices

The study investigated debt management practices among youths in Nairobi County. To collect data, the respondents were to rate statements about their debt management practices with the use of a Likert scale. Table 4.9 contains the mean and standard deviation for debt management practices measures.

Table 4.9: Descriptive Statistics for Debt Management Practices

Statements	N	Mean	Std. Dev
I only borrow when absolutely required and only for investment purposes.	100	3.52	0.78
My bills are always paid on time	100	3.57	0.81
I pay back my debts timely.	100	3.70	0.79
I only borrow loans with low interest rate	100	3.39	0.78
Overall Mean Score	**100**	**3.55**	

Source: Field Data (2022)

The outcomes showed that respondents borrow when absolutely required and only for investment purposes greatly (Mean =3.52, std. dev=0.78).Outcomes further showered that respondents bills are always paid on time greatly (Mean=3.57, std. dev=0.81). Respondents also pay back their debts timely greatly (Mean=3.70, std. dev=0.79). Moreover, outcomes showered that respondents only borrow loans with low interest rate to a moderate extent (Mean= 3.39, std. dev=0.78). 3.55 was the total mean signifying that on average, youths in Nairobi County practice debt management to a great extent.

4.5.4 Saving Culture

The study investigated saving culture among youths in Nairobi County. To collect data, the respondents were to rate statements about their saving culture with the use of a Likert scale. Table 4.10 contains the mean and standard deviation for saving culture measures.

Table 4.10: Descriptive Statistics for Saving Culture

Statements	N	Mean	Std. Dev
I set aside a portion of every money I receive.	100	3.77	0.70
I routinely lay money aside for future needs and desires.	100	3.57	0.81
I set aside a certain percentage of my earnings for savings.	100	3.61	0.80
When my income increases, I boost my savings	100	3.75	0.77
Overall Mean Score	**100**	**3.68**	

Source: Field Data (2022)

The outcomes revealed that respondents set aside a portion of every money they receive greatly (Mean =3.77, std. dev=0.70). Results also revealed that respondents routinely lay money aside for future needs and desires greatly (Mean=3.57, std. dev=0.81). Respondents also set aside a certain percentage of their earnings for savings to a great extent (Mean=3.61, std. dev=0.80). Moreover, outcomes showered that respondents boost their savings when their income increases to a great extent (Mean= 3.75, std. dev=0.77). 3.68 was the overall mean signifying that on average, youths in Nairobi County practice saving culture to a great extent.

4.6 Diagnostic Tests

As rationalised in chapter three, the researcher conducted analytical assessments to make sure there is no violation of the assumptions of Classic Linear Regression Model (CLRM) and to get the appropriate models for the examination in the consequence that the CLRM theories are breached. Pre-estimation and post estimation studies were carried out before the regression model was processed. The pre-estimation tests conducted in such cases existed in the multicollinearity test while the post estimation tests are normality test, test for heteroskedasticity and test for autocorrelation. The study got these analyses to refrain from factitious regression results.

4.6.1 Normality Test

The normality of data can be tested using a variety of methods. The most commonly applied methods are the Shapiro–Wilk test, Kolmogorov–Smirnov test, skewness, kurtosis, histogram, P–P Plot, box plot, Q–Q Plot, mean and standard deviation. The most extensively applied normality tests are the Kolmogorov–Smirnov test and the Shapiro–Wilk test. The Shapiro–Wilk test is better for small sample sizes ($n < 50$ samples), while it can also be used on more extensive samples selections, whereas the Kolmogorov–Smirnov test is better for $n > 50$ samples. As a result, the study used the Kolmogorov–Smirnov test as the numerical method of determining normality.this null hypothesis that states that data is gotten froma normally distributed population is for the two tests mentioned above. If the P- value is smaller than 0.05 then the null hypothesis is rejected and the data is not distributed normally. If any violation of the assumption of normality was detected, necessary correction measures were applied.

Table 4.11: Test for Normality

	Kolmogorov-Smirnov	P-value
Saving culture	0.869	0.178
Financial planning	0.918	0.202
Investment	0.881	0.194
Debt management	0.874	0.191
Education level	0.892	0.201
Income	0.923	0.220
Age	0.874	0.194
Gender	0.872	0.182

Source: Research Findings (2022)

From Table 4.11 results, everything in the study variables have a p value more than 0.05 and therefore were normally distributed.

4.6.2 Multicollinearity Test

Multicollinearity arises when the independent variables in a regression model are significantly linked. Multicollinearity was assessed using the VIF and tolerance indices. When the VIF value is higher than ten and the tolerance score is less than 0.2, multicollinearity is present, and the assumption is broken. The VIF values are less than 10, indicating no problem with multicollinearity.

Table 4.12: Multicollinearity

	Collinearity Statistics	
Variable	**Tolerance**	**VIF**
Financial planning	0.587	1.704
Investment	0.782	1.279
Debt management	0.535	1.869
Education level	0.601	1.664
Income	0.598	1.672
Age	0.599	1.663

Gender	0.621	1.610

Source: Research Findings (2022)

4.6.3 Heteroskedasticity Test

The residual variance from the model must be constant and unrelated to the independent variable in linear regression models calculated using the Ordinary Least Squares (OLS) method(s). Homoskedasticity refers to constant variance, whereas heteroscedasticity refers to non-constant variance. This research applied the Breusch-Pagan/Cook-Weisberg test to check if the variation was heteroskedastic. The null hypothesis implies constant variance, indicating that the data is homoscedastic. The results are as shown in Table 4.13.

Table 4.13: Heteroskedasticity Results

Breusch-Pagan / Cook-Weisberg test for heteroscedasticity		
chi2(1)	=	0.8351
Prob > chi2	=	0.6291

Source: Research Findings (2022)

Table 4.13 reveals that the hypothesis was accepted because the p-value was 0.6291, which was statistically significant (p>0.05). As a result, the dataset had homoskedastic variances. Since the P-values of Breusch-Pagan’s test for homogeneity of variances were greater than 0.05. The test therefore confirmed homogeneity of variance. The data can therefore be used to conduct panel regression analysis.

4.6.4 Autocorrelation Test

Serial correlation, also known as autocorrelation, makes the standard errors of coefficients appear to be less than in linear panel data models, resulting in higher R-squared and erroneous hypothesis testing using Durbin-Watson test Autocorrelation was tested. If the Durbin-Watson test is equivalent to 2 then the error terms of regression are uncorrelated. The results are better if the value is near 2. The results are as shown in Table 4.14.

Table 4.14: Test of Autocorrelation

Durbin Watson Statistic
1.896

Source: Research Findings (2022)

The results in the above table show that the Durbin-Watson statistic was 1.896.This indicate that the error terms of regression variables are are uncorrelated as Durbin-Watson was close to 2.

4.7 Inferential Statistics

This part presents the results for both correlation and regression studies.

4.7.1 Correlation Analysis

To ascertain the type and degree of study variable connect, correlation analysis was conducted. In this research, the correlation of the research variables was gotten using the Karl Pearson correlation coefficient. The outcomes are summarized in Table 4.15.

According to Karl Pearson correlation coefficient, the link between financial planning practice and saving culture is statistically significant and moderately positive (r=0.518, p<0.05). This suggests that monetary planning practices and saving culture move in the same direction. Further, the link between investment practice and saving culture is statistically significant and weakly positive (r=0.257, p<0.05). This suggests that investment practices and saving culture move in the same direction. In addition, the link between debt management practice and saving culture is statistically significant and moderately positive (r=0.523, p<0.05). This implies that debt management practices and saving culture move in the same direction.

For the control variables, the link between education and saving culture is statistically significant and weakly positive (r=0.244, p<0.05). This implies that education level and saving culture move in the same direction. Although ones age and saving culture has a negative relationship, the relationship is not statistically significant. Income level and gender were also found not to have a significant association with saving culture.

Table 4.15: Correlation Results

		Saving culture	Financial Planning Practice	Investment practices	Debt management practices	Education	Income	Age	Gender
Saving culture	Pearson Correlation	1							
	Sig. (2-tailed)								
Financial Planning Practice	Pearson Correlation	.518**	1						
	Sig. (2-tailed)	.000							
Investment practices	Pearson Correlation	.257**	.375**	1					
	Sig. (2-tailed)	.010	.000						
Debt management practices	Pearson Correlation	.523**	.465**	.269**	1				
	Sig. (2-tailed)	.000	.000	.007					
Education	Pearson Correlation	.133	.157	.117	.126	1			
	Sig. (2-tailed)	.244*	.119	.248	.211				

Income	Pearson Correlation	.017	.179	.522**	.194	.361**	1		
	Sig. (2-tailed)	.139	.075	.000	.053	.000			
Age	Pearson Correlation	-.150	-.125	.067	-.076	-.034	.062	1	
	Sig. (2-tailed)	.137	.216	.507	.450	.733	.537		
Gender	Pearson Correlation	.030	.035	-.343**	.162	.303**	-.087	-.010	1
	Sig. (2-tailed)	.770	.732	.000	.108	.002	.392	.919	

**. Correlation is significant at the 0.01 level (2-tailed).
b. Listwise N=100

Source: Field Data (2022)

4.7.2 Regression Analysis

The study utilized regression analysis in determining if a linear link existed cross financial literacy and saving culture. The model summary, ANOVA, and coefficients tables present the analysis' findings. The model summary explains how much dependent variable vary due to the independent variables fitted in the model. The ANOVA table checks if the model fit is statistically important to predict the dependent variable and the coefficient table quantifies the magnitude of the relationship of the variables. The findings of the study are shown in the tables below.

Table 4.16 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.617[a]	.380	.333	.945875	1.896

a. Predictors: (Constant), Gender, Age, Income, Financial Planning Practice, Education, Debt management practices, Investment practices

b. Dependent Variable: Saving culture

Source: Field Data (2022)

From the model summary, it was realized 0.380 R Square. This infers that 38% of the variation in saving culture can be attributed to the 7 selected variables in this study.

Table 4.17 ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	50.502	7	7.215	8.064	.000[b]
	Residual	82.310	92	.895		
	Total	132.813	99			

a. Dependent Variable: Saving culture

b. Predictors: (Constant), Gender, Age, Income, Financial Planning Practice, Education, Debt management practices, Investment practices

Source: Field Data (2022)

It was evident from the Anova table that the degree of significance was 0.000. This value was smaller than the p value of 0.05. Consequently, the model was therefore statistically significant for predicting saving culture based on financial literacy practices.

Table 4.18 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.178	.880		-.202	.840
	Financial Planning Practice	.558	.169	.326	3.297	.001
	Investment practices	.038	.158	.027	.239	.812
	Debt management practices	.470	.125	.361	3.756	.000
	Education	.266	.130	.248	2.504	.010
	Income	-.006	.060	-.010	-.092	.927
	Age	-.127	.130	-.081	-.973	.333
	Gender	-.109	.226	-.047	-.482	.631

a. Dependent Variable: Saving culture

Source: Field Data (2022)

From the Table 4:18 the following model has been developed;

$Y = -0.178 + 0.558X_1 + 0.470X_2 + 0.266X_3$

Where:

Y = saving culture,

X_1 = financial planning practices

X_2 = debt management practices

X_3 = education level

Interpretatively, a single rise in financial planning practices may result to a 0.558 rise in saving culture, a single rise in debt management practices may result to a 0.470 rise in saving culture while a single rise in education level may result to a 0.266 rise in saving culture holding other factors constant.

4.8 Discussion of Findings

The research sought to establish the effect being financial literate will have on saving culture among youths in Nairobi County. The population of the study was the 1,993,390 youths in Nairobi County (KNBS Census Report, 2019). The sample was a 100 arrived at using snowball sampling technique. Data analysis involved descriptive, correlation and regression study. The independent variables for this study were the following practices, financial planning, investment and debt management whereas the dependent variable was saving culture. Education level, income level, age and gender were used as control variables. The outcomes of the research were presented in Tables followed by pertinent interpretation and discussion.

The correlation outcomes showered that the link between financial planning practice and saving culture is statistically significant and moderately positive (r=0.518, p<0.05). Further, the link between investment practice and saving culture is statistically significant and weakly positive (r=0.257, p<0.05). In addition, the link between debt management practice and saving culture is statistically significant and moderately positive (r=0.523, p<0.05). For the control variables, the link between education and saving culture is statistically significant and weakly positive (r=0.244, p<0.05). Although ones age and saving culture has a negative relationship, the relationship is not statistically significant. Income level and gender were also found not to have a noteworthy relationship with saving culture.

The regression outcomes showed that 38% of the variation in saving culture can be attributed to the 7 selected variables in this study. It was evident from the Anova table that the degree of significance was 0.000. This value was smaller than the p value of 0.05. Consequently, the model was therefore statistically significant for predicting saving culture based on financial literacy practices. Individually, financial planning practices, debt management practices and education level were found to be significant determiners of saving culture while the other selected study variables did not have a significant effect.

The results of this research are in line with Lusardi and Mitchell (2016) who did a research to find out how financial literacy levels impact entrepreneurs performance. They established that the individuals whose financial literacy was limited were prone to being exploited on savings, management of debt and credit and are unable to utilize their assets effectively, for instance investing in the stock market, money market and also select a better portfolio and therefore end up doing a poor planning. On the other hand, individuals who comprehend more on financial literacy could choose a viable portfolio whose finance costs are low. Furthermore, they also noted that the financially literate individuals are in a position to create more wealth and can utilize resources optimally at a cheaper cost.

The results of this research are also in line with Obago (2019) who did a research on how financial literacy impacted the running of once individual finances where he found out that most of the employed people suffered pressure that resulted from poor financial decisions such as:, Mismanagement of credit card, extravagance, scarce income over-indebtedness and poor cash management. These encounters making it hard for the employees to meet their daily needs hence low productivity and poor performance at work. Difficulties resulting from financial illiteracy have caused many organizations in the U.S to provide financial education in the workplace so as to empower the employees with personal finances management skills.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The section entails the outcomes, conclusions, implications and finally propositions. This section also includes the limitations and suggestions for future studies.

5.2 Summary of Findings

The main objective of the research was to determine the influence of being financially literate on saving culture between youths in Nairobi County. This research was backed by three theories: namely; dual process theory, Life cycle and goal setting theories. A descriptive study plan was utilized. The group of study was 1,993,390 youths in Nairobi County. The sample was a 100 arrived at using snowball sampling technique. For data examination, both descriptive and inferential analysis was conducted and the conclusions are presented in this segment.

The descriptive results regarding financial planning practices revealed that respondents budget for their money/income they receive to a great extent. Results further revealed that respondents keenly watch their finances on an individual level to a moderate extent. Respondents also thoroughly examine if they will afford something before purchasing it to a moderate extent. Moreover, results revealed that respondents generally meet their objectives to a moderate extent. The descriptive results regarding investment practices revealed that respondents are aware of a number of viable ventures in which they could put their money to a great extent. Results further revealed that respondents invest their money in a variety of different ways to a moderate extent. Respondents have also invested some of their income in short term investments to a great extent. Moreover, results revealed that respondents have invested some of their income in long term investments to a great extent.

The descriptive results regarding debt management practices revealed that respondents borrow when absolutely required and only for investment purposes to a great extent. Results further revealed that respondents' bills are always paid on time to a great extent. Respondents also pay back their debts timely to a great extent. Moreover, results revealed that respondents only borrow loans with low interest rate to a moderate extent. The descriptive results regarding saving culture revealed that respondents set aside a portion of every money they receive to a great extent. Results further revealed that respondents routinely lay money aside for future needs and desires to a great extent. Respondents also set aside a certain percentage of their earnings for savings to a great extent. Moreover, results revealed that respondents boost their savings when their income increases very much.

The correlation outcomes showed that the link between financial planning practice and saving culture is statistically significant and moderately positive. Further, the link between investment practice and saving culture is statistically significant and weakly positive. In addition, the link between debt management practice and saving culture is statistically significant and moderately positive. For the control variables, the link between education and saving culture is statistically significant and weakly positive. Although ones age and saving culture has a negative relationship, the relationship is not statistically significant. Income level and gender were also found not to have an outstanding relationship with saving culture.

The outcomes from the regression showed that 38% of the variation in saving culture can be attributed to the 7 selected variables in this study. It was evident from the Anova table that the degree of significance was 0.000. This estimate was smaller compared to the p value of 0.05. Consequently, the model was therefore statistically significant for predicting saving culture based on financial literacy practices. Individually, financial planning practices, debt management practices and education level were found to be significant determiners of saving culture while the other selected study variables did not have a significant effect.

5.3 Conclusion of the Study

As per the conclusions of the research, it can be stated, youths from Nairobi County practice financial planning, investment practices and debt management practices to a moderate extent. It can also be concluded that youths in Nairobi County have adopted saving culture greatly. In addition, this research comes to a conclusion that youths in Nairobi County set aside a portion of every money they receive, they routinely lay money aside for future needs and desires, set aside a certain percentage of their earnings for savings and boost their savings when their income.

The research also conclude that financial planning practices, debt management practices and education level significantly determine saving culture among youths in

Nairobi while investment practices, income level, age and gender did not have a significant effect. It is further concluded that a single rise in monetary planning practices may result to a 0.558 rise in saving culture, a single rise in debt management practices may result to a 0.470 rise in saving culture while a single rise in education level may lead to a 0.266 rise in saving culture holding other factors constant.

5.4 Recommendations of the Study

The outcomes have revealed that financial literacy possesses a significant and positive effect on saving culture among youths in Nairobi County implying a rise in financial literacy can lead to a rise in saving culture. The research proposes the necessity for policy makers to come with guidelines and policies requiring education institutions to offer financial literacy courses at all levels. The government should also invest resources to boost financial literacy as this will be a sure way of enhancing saving culture.

The research showed that education level has good effect on saving culture. The research proposes the requirement for Youths in the country as a whole to strive for education and reach the highest level possible as this will have beneficial results on the culture to save in the country. The policy makers in the education sector should make education affordable to ensure as many youths as possible are able to access education at any level.

5.5 Limitations of the Study

This research employed the use of raw data and as a way of minimizing the possible outliers, the research used a structured questionnaire. This however posed a risk of biased data since the respondents were constrained on the information they would give.

To this regard, the analyst ascertained that the data collection tool permits full data gathering that readily fits study objectives.

Additionally, some responders were unsure on whether to be part of this study. The researcher resolved this by getting permits and authorizations from the relevant authorities such as the university. More so, the researcher conducted the research with highest regard of the ethical consideration and lastly the research offered to issues the participants with the results of the study.

5.6 Suggestions for Further Research

The study R^2 was 0.380 which indicated that 38% of the changes in saving culture were due to factors other than those covered in this study. Therefore, further study ought to be undertaken in other variables which were not covered in this study as they would possibly influence saving culture. These factors would for instance be unemployment rate and stereotypes amongst others. By understanding how each component affects saving culture, policymakers will be better equipped to develop and firmly execute a system to enhance it.

This study was undertaken on how financial literacy will have an effect on saving culture among youths in Nairobi County. Future studies can study how financial literacy can affect the saving culture among other groups in Kenya. Future research should take into account doing comparison studies to confirm how financial literacy varies or is comparable from one group to another.

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APPENDICES

Appendix I: Letter of Introduction

February 2022

Dear Respondent,

<u>RE: REQUEST FOR RESEARCH DATA</u>

I am a student at University of Nairobi where I am undertaking a degree in Master of Science in Finance. I am required to submit as part of my course work assessment, a research on **“EFFECT OF FINANCIAL LITERACY ON SAVING CULTURE AMONG YOUTHS IN NAIROBI”.**

You have been selected for generating data needed for this study. The purpose of this information will be only for academia and nowhere in the report will your name be mentioned. In case you need the findings of this research we shall avail it to you.

Your assistance will be truly valued.

Thank you in advance.

CAROLYNE KEZIAH KARIMI MWOBOBIA

Appendix II: Questionnaire

Dear respondent,

This questionnaire has been structured in collecting information on the effect of financial literacy on saving culture among Youths in Nairobi County. Kindly read the questions thoroughly and respond as truthfully as possible. The information collected will be used only for scholarly study purposes and will be held in strict confidentiality.

Instructions

1. Tick appropriately

2. Please feel free to add some additional appropriate information to the study.

PART A: BACKGROUND INFORMATION

1 Gender: Male [ ] Female [ ]

2 Under which age brackets are you?

15-19 Years	[ ]	20 - 24 Years	[ ]
25 - 29 years	[ ]	30 – 34 Years	[ ]

3 What is the greatest level of schooling you have achieved?

Primary	[ ]
Secondary	[ ]
Certificate	[ ]
Diploma	[ ]
Degree	[ ]
Masters	[ ]
PhD	[ ]

4 How much is your monthly gross income?

Below Kshs 20,000	[ ]
20,001- 50,000	[ ]
50,001-80,000	[ ]
80,001- 100,000	[ ]
100,001- 150,000	[ ]
150,001-200,000	[ ]
Above 200,000	[ ]

PART B: FINANCIAL LITERACY

This part has three sections; financial planning practices, investment practices and debt management practices. Kindly tick the most appropriate response. The scales are provided

Financial Planning Practices

5. Which of the following assertions about your financial planning habits do you concur with the most? Use 1- No extent, 2-Little extent, 3-Moderate extent, 4- Great extent, 5-Very great extent

Financial planning practice	**1**	**2**	**3**	**4**	**5**
I budget for my money/ income I receive					
I keenly watch my finances on an individual level.					
I thoroughly examine if I will afford something before purchasing it.					

In general, I meet my financial objectives					

Investment Practices

6. Which of the following assertions about your financial planning habits do you concur with the most? Use 1- No extent, 2-Little extent, 3-Moderate extent, 4- Great extent, 5- Very great extent

Investment practice	**1**	**2**	**3**	**4**	**5**
I am aware of a number of viable ventures in which I could put my money.					
I invest my money in a variety of different ways					
I have invested some of my income in short term investments					
I have invested some of my income in long term investments					

Debt Management Practices

10. To what extent do you concur with the following assertions on your debt management practices? Use 1- No extent, 2-Little extent, 3-Moderate extent, 4- Great extent, 5- Very great extent

Debt management practice	**1**	**2**	**3**	**4**	**5**

I only borrow when absolutely required and only for investment purposes.					
My bills are always paid on time					
I pay back my debts timely.					
I only borrow loans with low interest rate					

PART C: SAVING CULTURE

8. Which of the following claims about your saving culture do you concur with the most? Use 1- No extent, 2-Little extent, 3-Moderate extent, 4- Great extent, 5- Very great extent

Saving practice	**1**	**2**	**3**	**4**	**5**
I set aside a portion of every money I receive.					
I routinely lay money aside for future needs and desires.					
I set aside a certain percentage of my earnings for savings.					
When my income increases, I boost my savings					

Thank you very much