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Financial Literacy and Financial Inclusion of Youths in Nairobi City County, Kenya

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ABSTRACT

In an effort to promote greater financial inclusion, Kenya has implemented a number of financial sector changes in recent years, propelled by technological innovations like ATMs and mobile banking. This expansion is seen as key to achieving Kenya's target growth rate of ten percent as outlined in Vision twenty thirty, by expanding access to financial solutions, encouraging investments, savings, and supporting the country's development objectives. However, despite these advancements, access to formal financial services remains limited. This study aimed to investigate the relationship between financial literacy and financial inclusion among the youth in Nairobi City County Kenya, focusing on the roles of investment methods, debt management, financial planning, and saving behaviours. The study was grounded in theories of information asymmetry, behavioural economics, financial education, and financial growth. A causal research design was used, targeting a population of One million nine hundred ninety, three thousand three hundred and ninety youths in Nairobi City County, with a sample size of four hundred respondents. Data were collected using structured questionnaires, validated through a pilot study with forty participants. Reliability was ensured with a Cronbach's alpha score, and the data were analysed using descriptive and inferential statistics, including regression analysis. The study's findings showed that the four factors, saving behaviours, debt management, financial planning, and investing practices accounted for ninety-two point eight of the variance in financial inclusion. Savings had a significant positive impact on financial inclusion, with youths who regularly save better able to access formal financial services. Debt management practices also positively influenced financial inclusion, albeit to a moderate degree, suggesting that improved debt management skills could reduce financial exclusion. Financial planning techniques were strongly associated with financial inclusion, indicating that youth who engage in organized financial planning are more likely to access sanctioned financial assistance and make sound financial decisions. Investment practices had a very strong positive impact on financial inclusion, emphasizing the importance of promoting investment literacy among young people. The study concluded that fostering saving habits, debt management skills, financial planning, and investment literacy is crucial to enhancing financial inclusion. It recommended that educational institutions, financial organizations, and government agencies work together to incorporate financial literacy into school curricula from an early age, to equip young people with the financial skills needed for greater financial empowerment.

Keywords: Financial inclusion, financial literacy, saving behaviour, debt management, financial planning, investment, youth, Nairobi City County, Vision 2030.

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1. Introduction

1.1 *Background of the study*.

Economic empowerment and financial inclusion of youths are imperative for sustained growth and stability (Paladino, 2021). Young people who are financially knowledgeable are more likely to participate in profitable economic endeavors and contribute to increased savings and investments, thus fostering economic resilience and prosperity (Kijkasiwat &Chancharat, 2022). Their involvement is crucial for economic buildout of any nation, as they represent the future workforce and leaders.

Financial inclusion is the circumstance where financial services and products are made available to people and enterprises. This is especially true for those who could not access the financial system because of things like

poor income, geographical constraints, or insufficient credit history in the past (Swieka, Yesildag, Ozen & Grima, 2020). Enhancing financial literacy enables people and organisations to better access financial services, handle their money, and accomplish their financial goals (Niankara & Muqattash, 2020)

There are alarmingly low levels of financial literacy, with significant gaps in understanding concepts like inflation, coupled with widespread financial difficulties experienced by nearly half of the respondents and a substantial proportion seeking assistance from budget and debt advisors (Samuelsson, Levinsson & Ahlström, 2024). Vijayvargy and Bakhshi (2018) define financial literacy as the capability to comprehend different facets of money, such as its operations, management, earning, investing, charitable giving, tax-saving strategies, and wealth accumulation. Additionally, Shibia and Kieya (2018) highlight that the social and physical distance between current or potential clients and financial service providers can significantly influence the availability and regular use of financial services.

The influence of financial literacy and financial inclusion on developing countries has been variable and modest (Hussain, Yahya & Waqas, 2021). Research indicates that many financially excluded individuals have insufficient understanding of fundamental financial concepts and readily available financial products in underdeveloped nations (Berg & Zia, 2018).

The World Bank (2021) reports that youth in countries like Nigeria and Ghana face significant barriers to accessing financial products and information, which impedes their financial inclusion. Ozili (2021) found that customer awareness and good financial infrastructure influence financial inclusion in Nigeria. The research on banking services, savings accounts, and withdrawal frequency indicated that In Nigeria, the availability and use of banking services are shaped by variables like age, economic level, and ICT literacy.

Kenya has achieved noteworthy progress in advancing financial inclusion globally. The financial landscape of the nation has altered dramatically with the advent of agency and mobile banking (CBK, 2020). At the policy level, the Kenyan government champions inclusivity and has launched initiatives aimed at specific groups, including individuals with disabilities, youth, and women. In 2013, the government allocated 6 billion shillings to the Uwezo Fund to enhance the economic and social empowerment of women, youth, and people with disabilities. However, challenges such as loan repayment issues and concerns about accessibility and beneficiary selection have limited the fund's effectiveness (World Bank, 2021).

1.1.1 Financial Inclusion

Stabilizing consumption is mostly dependent on financial inclusion, decreasing income disparities, diversifying risk, and enhancing human development (Chinoda & Akande, 2019). Over time, this concept has shifted from its initial emphasis on alleviating poverty and addressing income inequality to becoming an essential factor for achieving financial stability and driving economic growth (Iqbal & Sami, 2017). By promoting financial inclusivity, both producers and households can optimize the creation and utilization of products and services, thereby generating income and supporting inclusive growth, especially for those without initial capital (Gourène & Mendy, 2019).

Financial inclusion metrics assess how easily people and communities can obtain financial services. The availability of formal financial services, which measures the proportion of the population that can use goods like bank accounts, loans, insurance, and payment systems, is a crucial indicator (Dar & Ahmed, 2021). This measure is instrumental in pinpointing communities that are underserved. This analysis reveals financial behavior trends and highlights areas that may benefit from financial education or other support (Feghali, Mora, & Nassif, 2021) explore financial inclusion by evaluating financial services' usability and accessibility, and the current study will use a similar methodology to assess these aspects.

1.1.2 Financial Literacy

Muñoz-Céspedes et al. (2021) argues that financial literacy requires knowledge of basic personal finance ideas including debt management, investing, saving, and budgeting. One essential element of financial literacy is being knowledgeable about and skilled in comparing and contrasting various financial products and services, including bank accounts, credit cards, and loans, this helps people avoid potential financial pitfalls and scams. Amagir et al. (2020) emphasize the importance of making informed decisions regarding investments and retirement planning. In light of this, investing techniques, handling debts, saving behaviors, and financial preparation was examined as major markers of financial literacy.

Saving practices involve setting aside a portion of one's earnings or resources for later use instead of immediate expenditure (Doan, 2020). This can include placing money in a savings account, purchasing stocks, or making other investments, or simply storing cash securely. Ultimately, saving contributes to financial independence and security by facilitating wealth accumulation over time (Klapper & Lusardi, 2020).

Debt management practices involve effectively handling and repaying debts in a way that is sustainable for both individuals and organizations. Making consistent payments to reduce the total amount of debt may involve this process, along with budget creation, prioritizing debt payments, communicating with creditors, and so on (Molina, 2021). One popular method for managing debt is to create a budget that evaluates the funds available for making repayments, prioritizing debts based on their interest rates and amounts owed, negotiating with creditors to lower interest rates, extend repayment timelines, or settle debts for less than the total owed, and ensuring regular payments are made to diminish the debt balance (Freire et al., 2021).

Financial planning practices involve creating a comprehensive strategy aimed at achieving the financial goals of an individual or organization. This process involves assessing the current financial situation, establishing clear objectives, and creating a resource allocation strategy in order to fulfill those objectives (Herrador-Alcaide, Hernández-Solís & Topa, 2021). Among the crucial subjects addressed by financial planning are risk management, retirement planning, investment and saving strategies, budgeting and cash flow management, and tax consequences.

Investment strategies entail the deliberate distribution of resources—cash, time, or other assets—with the goal of generating profits or returns in the future. Gaining wealth over time through the acquisition of assets that are expected to increase in value, produce income, or both is the main objective of investing (Manafe, 2021). However, every investment carries some level of risk, prompting investors to pursue a diversified portfolio as a means to manage risk effectively and optimize potential returns. To lower risk, diversification entails distributing assets among a range of asset classes and kinds and diminish the negative impact of any individual investment's underperformance (Gupta, 2021).

1.1.3 Youth

Many young people engage in casual saving practices rather than participating in formal banking systems (UNCDF, 2018). Although numerous youths express desire to engage in formal banking, barriers such as policy constraints, geographic accessibility, service charges, documentation hurdles, and a lack of financial literacy may hinder their participation (Njenga & Jagongo, 2019).

Despite the pressing need, there has been minimal effort to educate young people on developing healthy spending and saving habits. The current education system falls short in providing comprehensive financial literacy programs, leaving many youths unfamiliar with essential financial management skills. Building a savings culture demands self-discipline, sacrifice, a strong desire for financial independence, and patience over time (UNCDF, 2019).

1.2 Statement of the Problem

According to Shibia and Kieya (2018), young people face considerable challenges, especially because of the restricted availability of savings, credit, and insurance options, as evidenced by the low percentages of 58%, 29%, and 17% for each respectively. The FinAccess 2021 survey by FSD Kenya indicates that only 58% of Kenyan youth (aged 18-35) have a formal saving account. This is compared to the national average of 84% having access to at least basic financial services. Additionally, findings from the FinAccess surveys indicate that a large segment of the population, particularly youth, still rely on informal financial services or remain financially excluded altogether (FinReceive Survey, 2018; FinAccess Survey, 2019; FinAccess, 2021). Central Bank of Kenya's Financial Inclusion Report 2020 corroborates this, revealing a lower percentage of youth holding deposits in financial institutions compared to older demographics (CBK,2021). Despite efforts to improve financial literacy through increased enrollment in educational institutions, financial exclusion persists, marked by low savings rates and limited understanding of financial products and services (Lusardi, 2019; Fanta & Mutsonziwa, 2021). This suggests that merely expanding financial inclusion won't be greatly enhanced by entry to financial services and products unless financial knowledge is increased. Existing studies have primarily focused on aspects such as enterprise financial literacy or financial regulation, leaving gaps in understanding the

specific barriers to financial inclusion faced by Kenyan youth in Nairobi City County (Gathungu & Sabana, 2018; Kodongo, 2018).

The current study sought to bridge current gaps by looking into the factors leading to financial exclusion among youth in Nairobi City County. It primarily examined how access to financial services, financial literacy, and socio-cultural factors impact the situation. By identifying these obstacles and exploring possible solutions, the research sought to offer insights that could guide policy measures and initiatives to enhance youth financial inclusion, thereby contributing to Kenya's development objectives.

1.3 Objectives of the Study

1.3.1 General Objective

The present research sought to investigate how financial inclusion of the young people in Nairobi is influenced by financial literacy.

1.3.2 The Specific Objectives were:

i. To assess the impact of saving habits on young people's financial inclusion in Nairobi.

ii. To evaluate how debt management practices affect financial inclusion of youths in Nairobi.

iii. To ascertain how financial planning practices affect financial inclusion of youths in Nairobi.

iv. To examine how investment practices affect financial inclusion of youths in Nairobi.

1.4 Research Hypotheses

H_{01}: Savings habits have insignificant effect on young people's financial inclusion in Nairobi City County.

H_{02}: Debt management do not significantly affect financial inclusion among the youths in Nairobi.

H_{03}: Financial planning practices do not significantly affect financial inclusion of youths in Nairobi County.

H_{04}: Investment practices do not significantly affect financial inclusion of youths in Nairobi City.

2.0 Literature review

2.1 Theoretical Literature Review

2.1.1 Information Asymmetry Theory

According to Akerlof's (1970) theory, an imbalance of power results from information asymmetry, which happens when one side to a transaction has access to more details than the other. This discrepancy can cause the less informed party to make decisions based on incomplete or potentially misleading information (Hickman, 2020). Consequently, the uninformed party might make choices that do not serve their best interests, resulting in issues such as adverse selection, moral hazard, and market failure (Bergh, et al 2019).

Therefore, information asymmetry is essential for understanding market behaviors and dynamics among individuals and organizations (Hamid & Locke, 2021). Appreciating how information asymmetry affects financial inclusion can help financial institutions and governments create plans to improve knowledge of finance and access to official financial services. While financial companies can create more comprehensible and user-friendly offers to reduce information asymmetry and promote trust, educational programs can help young people better comprehend financial goods and services.

The theory of information asymmetry offers a strong framework for investigating the connection between young people's financial inclusion and financial literacy, particularly in understanding how information gaps can influence their engagement with formal financial services.

2.1.2 Behavioral Economics Theory

By integrating insights from psychology with economic principles, behavioral economics explores how individuals make economic choices (Bhusham & Medury, 2018). The foundation of this theory can be largely

attributed to the work of Kahneman and Tversky (1974). It posits that individuals frequently make decisions that diverge from rationality, swayed by cognitive biases, limited willpower, social norms, and emotions, which can significantly influence their economic behavior (Swieka et al., 2020).

The principal of behavioral economics aids in understanding the connection in youth financial inclusion with financial literacy. This approach acknowledges that people often do not react rationally, and their decisions economically can be dictated by cognitive biases, societal expectations, and emotional influences. This viewpoint is essential for grasping the challenges youths face in obtaining formal financial services, including limited financial knowledge, aversion to risk, and distrust of financial institutions.

Behavioral economics aligns well with the objectives of this study by offering a theoretical foundation to investigate how behavioral biases may influence youth engagement with financial services and their resulting financial inclusion outcomes. By recognizing these behavioral factors, Initiatives to improve financial inclusion and literacy can be created by financial institutions and policymakers, such as creating educational programs that address cognitive biases and developing financial products that promote transparency and trust.

2.1.3 Financial Education Theory

The concept of financial education suggests people who possess more financial knowledge and expertise are better equipped to handle their money, making informed financial choices, and achieving their financial objectives (Niankara & Muqattash, 2020). This highlights the need to provide people with the essential information and tools to make wise financial decisions and comprehend complex financial systems. Numerous formats are available for education, such as workshops, online courses, and formal classroom instruction on important subjects like debt management, retirement planning, investing, saving, and budgeting (Güngen, 2018). Financial education theory is essential to understanding how financial literacy and competence can promote financial inclusion and improve people's and families' financial outcomes (Güngen, 2018).

This concept emphasizes Improving young people's access to and utilization of authorised financial services by improving their financial literacy. Financial education-focused initiatives that tackle the particular financial difficulties that young people encounter, like managing cash flow, creating a budget, and obtaining funding, can further advance this goal. Consequently, the theory supports the notion that educating borrowers in financial matters can have a positive effect on all four independent variables.

2.1.4 Finance Growth Theory

It's often associated with the work of economists like Robert Lucas and Robert Barro, suggests that economic growth is mainly fueled by the effective allocation of resources, as well as the productivity of labor and capital. It emphasizes how crucial government regulations are for offering incentives and the impact of financial markets, fiscal policies, and the rational actions of economic agents on long-term economic development (Nam & Loibl, 2021).

Theory's relevance lies in its emphasis on efficient resource allocation and financial markets' role. Understanding how financial literacy together with inclusion among youths impact the allocation of resources, productivity, and incentives within the local economy is essential.

2.2 Empirical Literature Review

2.2.1 Savings and Financial Inclusion

Demirgüç-Kunt et al. (2018) investigated the connection between financial inclusion and saving habits in emerging economies. They conducted a regression analysis to examine how savings correlate with financial inclusion in 148 emerging countries, drawing on information from the Global Financial Inclusion Database. Their conclusions might not be applicable in other economic circumstances due to its concentration on developing nations. Second, the reliance on secondary data could miss out on specific details that primary research methods might capture, emphasizing the need for further studies employing primary data collection techniques.

Feghali et al. (2021) explored how saving behavior affects US financial inclusion making use of information

from the 2013 National Financial Capability Study and applying logistic regression, they assessed the relationship between savings habits and the opportunities to possess a bank account as well as utilize formal financial services. The reliance on cross-sectional data in their research restricts the capacity to establish causal links between savings behavior and financial inclusion while potential self-selection bias may further obscure causal relationships. Furthermore, the varying social and economic conditions between the United States and Nairobi may limit the applicability of their findings to Nairobi's youth demographic.

Kumar and Pathak (2018) investigated how savings behavior contributes to improving financial inclusion in India. By analyzing data from 2,050 households with logistic regression they found a favorable correlation between saving behaviors and access to financial services. Nonetheless, the study recognized potential self-selection bias and the distinct social and economic context of India, highlighting the need for caution when applying these findings directly to Nairobi's youth population. Additionally, the predominant use of secondary data underscores the necessity for complementary primary research to validate and augment existing findings, highlighting the need for more comprehensive approaches to studying savings and financial inclusion among Nairobi's youth.

2.2.2 Debt Management and Financial Inclusion

Ansong (2021) examined the challenges of debt management faced by small business owners in Ghana, with the goal of identifying funding sources, strategies for managing debt, and related obstacles. Although this study provides important insights into debt management practices, it does not specifically address their effects on financial inclusion. Additionally, the distinct social and economic context of Ghana differs from that of Nairobi, Kenya. Consequently, while Ansong's findings are informative regarding debt management, they do not directly enhance our comprehension of the connection between financial inclusion and debt management among Nairobi's young, indicating a gap in existing literature.

Kishore and Lang (2020) investigated how debt management affects financial inclusion among rural households in India. By analyzing data from 6,932 rural households with logistic regression, even though the results provide valuable insights, the unique socio-economic context of rural India may not directly apply to Nairobi's youth population. Furthermore, Kishore and Lang's study emphasizes the necessity for additional research to investigate how debt management relates to financial inclusion.

By analyzing data from 200 microenterprises Yahia and Isa (2020) examined how debt management affects financial inclusion in microenterprises in Egypt. The limited sample size of the study could restrict its applicability to the wider population. Moreover, the unique socio-economic context of Egypt may not directly align with Nairobi, Kenya. Therefore, while Yahia and Isa's study offers valuable insights, it points out the necessity for more research to investigate how debt management relates to financial inclusion, particularly among the youth population in Nairobi, addressing its unique socio-economic context.

2.2.3 Financial Planning practice and Financial Inclusion

A randomized controlled study was carried out by Tello (2023) with the aim to evaluate how a financial planning as well as literacy initiative influences the financial behaviors of micro-entrepreneurs in Peru. Participants' investments and lending from official financial institutions increased. Additionally, the initiative improved the chances of these entrepreneurs opening bank accounts for their businesses. Nevertheless, the study did not explore the program's impact on further facets of financial inclusion, like insurance availability or a broader range of financial services. Moreover, it failed to demonstrate a direct connection between financial planning and financial inclusion, indicating a gap in understanding how financial planning contributes to broader financial inclusion goals.

Study by Masino and Niño-Zarazúa (2020) carried out a trial to evaluate how financial planning influences financial inclusion in rural Mexico. Their results showed that savings group participation was higher among households with access to financial planning services, secure loans, and engage with formal banking institutions. However, the research did not investigate financial planning's long-term impacts on financial inclusion, raising unanswered questions about the durability of these benefits. Thus, there is a clear necessity for primary research to complement existing findings and provide more comprehensive additional elements that affect financial inclusion, like regulatory frameworks and economic development. Addressing these gaps would advance a better

comprehension of how financial planning aids in the establishment of inclusive financial systems.

Klapper, Lusardi, and van Oudheusden (2022) conducted a cross-country analysis across 144 nations to investigate how financial inclusion, financial planning, and financial literacy are related. Regression analysis suggested positive correlation between these factors and several dimensions in financial inclusion, including bank accounts ownership, credit utilization, and insurance coverage. Nonetheless, this study relied exclusively on secondary data, raising questions about the completeness and accuracy of the data. This indicates a need for primary research to provide a more solid foundation on how financial planning contributes to financial inclusion.

Muchaendepi et al. (2019) examined how financial planning affects the expansion and financial viability of small and medium-sized manufacturing businesses (SMEs) in Harare, Zimbabwe. Their mixed-methods approach illustrated a definite correlation among financial planning practices and the economic sustainability and growth of these enterprises. The study's emphasis on a specific sector and geographical area restricts the generalizability of its findings to other regions. Additionally, the research did not consider how financial planning contributes to wider financial inclusion objectives, leaving a gap in understanding the ways in which financial planning promotes inclusive financial systems.

2.2.4 Investments and Financial Inclusion

Demirguc-Kunt and colleagues (2018) examined the relationship between financial inclusion and investment habits in 144 different countries using a cross-country regression study. They evaluated investment patterns depending on several factors, such as the percentage of adult stock, bond, and mutual fund owners. Metrics such the proportion of adults who have official bank accounts, the use of credit recently, and insurance coverage were used to gauge financial accessibility. The impact of additional variables, such as the legal framework or economic progress, on financial inclusion was not taken into consideration by the study, though.

In a comparable study, Cull, Demirguc-Kunt, and Morduch (2018) performed a study in the Philippines to assess how financial education influences investment behavior. Two groups of participants were created: one for treatment, which got financial education, and another for control, which did not. The findings showed that while financial education increased participants' propensity to invest in stocks and mutual funds, it had no impact on their choice to purchase bonds or other fixed-income assets. Moreover, the investigation failed to explore the wider consequences of investment on financial inclusion.

Using a randomized controlled trial, Akhtar (2018) investigated how investment behavior in the US was affected by access to investment information. Employees from a large corporation were divided into two groups: one group had access to an investment information website (treatment group), while the other group did not (control group). The findings indicated a slight increase in the probability of investing in stocks and mutual funds among those who accessed the website, though this effect was modest and temporary. The research did not evaluate how investment influences financial inclusion beyond the specified experimental framework.

Wafula (2018) examined how financial literacy correlates with Trans Nzoia County's small-scale farmers' financial inclusion. The study involved a sample of 2,384 farmers and gathered data by means of surveys. For analysis, only descriptive and inferential statistical techniques were used. The results indicated a significant positive correlation among saving practices, investment behaviors, management of debts, financial planning, and financial inclusion. However, applicability of these findings may be limited to other populations, such as youth, due to the unique characteristics of small-scale farming. The assumption of homogeneity among small-scale farmers may not be accurate, and the study could benefit from incorporating more diverse financial inclusion's measures.

2.3 Conceptual Framework

Figure 1 displays the anticipated effects of the independent factors' impacts on the dependent variable. In this framework, financial literacy is considered the independent variable, encompassing elements like savings, debt management, financial planning, and investment approaches. On the other hand, financial inclusion is viewed as the dependent variable, assessed through two dimensions: availability of financial services and how they are actually used.

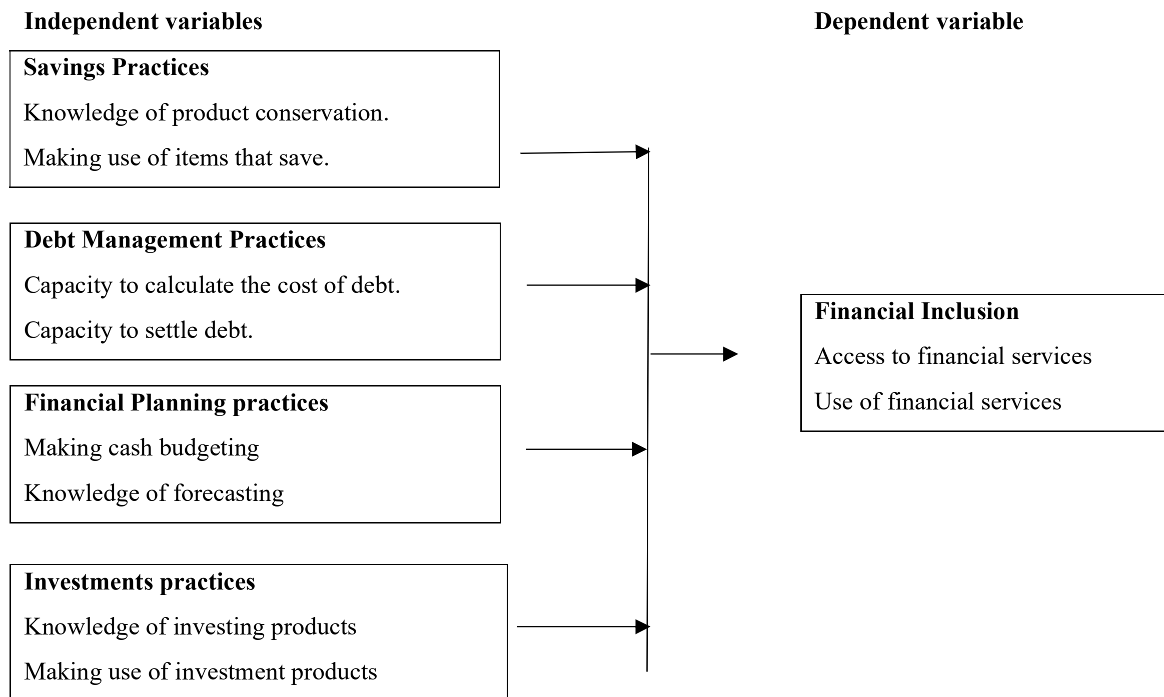

Figure 1: Conceptual Framework

Source: Researcher (2024)

3.0 Research Methodology

A casual design with the aim of identifying the connections between two or more variables, was adopted for this study. Within this framework, the researcher adjusts independent variables so as to assess its impact on dependent variable (Cooper & Schindler, 2018). Implementing a causal research design requires a clear and accurate definition of the variables under investigation, along with a well-organized experimental or quasi-experimental framework. The study's target audience included all 1,993,390 young individuals residing in Nairobi City County, based on the Kenya National Bureau of Statistics' (KNBS) 2019 Census Report. Stratified sampling technique was used to segment the population into specific subgroups or strata i.e eleven groups according to the sub-counties within Nairobi City County. Within each stratum, participants were selected using simple random sampling methods. The research utilized the formula introduced by Yamane (1967) to calculate the appropriate sample size, with an assumed confidence level of 95%. This formula gave 400 respondents as the sample size of the current study, sourced from randomly selected tertiary institutions across each of the 11 sub-counties. The research collected original information by means of a survey.

To affirm the questionnaires' validity, the supervisor evaluated the questions and their content to confirm their relevance to the research. Cronbach's Alpha also was employed to assess the items' internal consistency in order to evaluate the study instrument's reliability. In this study, a threshold of 0.7 was used, as suggested by Khan (2018) and supported by other scholars such as Kothari (2019), Cooper and Schindler (2018), and Burns and Burns (2018).

The researcher pilot tested the questionnaire before being given to the entire sample. The pilot survey highlighted any flaws in the survey methodologies as well as the questionnaires (Khan, 2018).

The dataset was examined for completeness, leading to the exclusion of any variables with insufficient or missing data. Cases that had above 20% of their responses missing had to be omitted from the analysis. To intensify reliability and study's validity of conclusion, outliers were reduced through a data cleaning process. The analysis was conducted using SPSS, version 27, and incorporated descriptive together with inferential

statistics. Descriptive statistics comprised frequency and percentage distributions, whereas inferential statistics utilized Pearson's correlation. Furthermore, multiple regression analysis was conducted to evaluate how financial literacy influences financial inclusion. The empirical model is represented in the formulas below.

$$Y=\beta_0 + \beta_1X_1+ \beta_2X_2+ \beta_3X_3+ \beta_4X_4+\varepsilon$$

Where: **Y=** Financial inclusion; B_0 = Constant; X_1 = Savings practices; X_2 = Debt management practices; X_3 = Financial planning practices; X_4 = Investments practices; ε = Error Term; β_1, $\beta 2$, β_3, β_4 = Regression Coefficients of Predictor Variables.

4.0 Research Findings

4.1 Descriptive Statistics Analysis

The data set below helps researchers identify central tendencies and variability by calculating the mean and standard deviation, which are critical for interpreting the data accurately.

Table 4.1: Descriptive statistics

Variable	Observation	Mean	Std. deviation
Saving practices	329	3.89	0.32
Debt Management Practices	329	3.80	0.40
Financial Planning Practices	329	3.80	0.21
Investment Practices	329	3.73	0.22
Financial Inclusion	329	3.85	0.47

Source: Field Data (2024)

The descriptive outcomes revealed that, young people demonstrated a strong awareness of different saving products available in the market, actively explore different saving options to grow their wealth, they understand the importance of saving for long-term financial stability, belief that their current saving habits will contribute to a more secure future and that they tend to spread their savings across various financial products, achieving an aggregate mean score of 3.89 and 0.32 standard deviation. These results are consistent with other research on saving habits, like the study by Dewi et al. (2022), which emphasizes the link between millennials' successful saving habits and their level of financial literacy. The findings also support those of Setiawan et al. (2022), who looked at digital financial literacy, present saving and spending patterns, and their outlook for the future. They found that digital financial literacy has a favorable impact on both present and future saving patterns.

There was a cumulative mean of 3.80 and standard deviation of 0.40 on debt management practices indicating a moderately positive attitude and strong commitment toward debt management among the youths. Research has consistently shown a link between effective debt management and financial inclusion. For instance, Lusardi et al. (2019) found that those who are good at managing their debt tend to be more financially knowledgeable, which results in better financial outcomes and increased access to financial services.

The data shows that respondents generally exhibit strong financial planning behaviors, having a low standard deviation of 0.21 and an average score of 3.80, indicating consistent habits in this area. The youth in Nairobi City County, in particular, place significant value on financial planning for achieving security as seen by a high standard deviation of 0.66 and a mean of 3.97. The consistently low standard deviations indicate that there is little variation in how respondents engage in financial planning practices.

Statistics for investment practices indicate that respondents in Nairobi City County generally possess a positive

outlook and engagement with investment activities. With a standard deviation of 0.22 and an average score of 3.73, indicating a consistent approach to investment practices among the youth. These imply that the youth in this region have a well-informed base in investment knowledge, which aligns with existing literature emphasizing financial literacy's significance as a basis for effective investment decision-making (Dewi et al., 2022). Furthermore, the respondents expressed a belief in the significance of investing as a key strategy for wealth-building, evident from the highest mean score.

According to the data, young people in Nairobi City County have a positive opinion of financial inclusion; the overall mean score of 3.85 and standard deviation of 0.47 show that the claims are generally agreed upon, with little variation in responses. They report having easy access to a variety of financial services and regularly using services like banking, mobile money, or insurance. All things considered, the information shows that financial inclusion is viewed positively, with respondents recognizing its value and experiencing tangible benefits. The conclusions on financial inclusion are in line with those of Demirgüç-Kunt et al. (2018), who emphasized that better access to financial services promotes better savings rates and investments in health and education, which in turn promote economic growth.

4.2 Inferential statistics

4.2.1 Pearson Correlation Analysis

The measure of Pearson correlation indicates how each identified independent variable relates to the financial inclusion of young people in Nairobi City County. The coefficient r was computed in order to ascertain if the correlation is either positive or negative.

Table 4.2: Inferential Statistics

		Financial inclusion	Saving practices	Debt management practices	Financial planning practices	Investment practices
Financial inclusion	Pearson Correlation	1				
	Sig. (2-tailed)					
Saving practices	Pearson Correlation	.711**	1			
	Sig. (2-tailed)	.000				
Debt management practices	Pearson Correlation	.562**	.892**	1		
	Sig. (2-tailed)	.000	.000			
Financial planning practices	Pearson Correlation	.909**	.729**	.626**	1	
	Sig. (2-tailed)	.000	.000	.000		
Investment practices	Pearson Correlation	.946**	.741**	.663**	.917**	1
	Sig. (2-tailed)	.000	.000	.000	.000	

**. Correlation is significant at the 0.01 level (2-tailed).

b. Listwise N=329

Source: Field Data (2024)

A significant connection is evident between financial inclusion and investment behaviors ($r=0.946$, $p<0.05$), suggesting that individuals who participate in diverse investment activities tend to attain greater financial inclusion. Effective financial planning is crucial for improving financial inclusion, as seen by the substantial association ($r=0.909$, $p<0.000$) between financial planning practices and financial inclusion. Additionally, saving

habits and financial inclusion have a strong positive correlation (r=0.711, p<0.000), suggesting that improved saving habits are linked to better access to financial services. Debt management practices, while still positively correlated (r=0.562, p<0.000), show a moderate to strong relationship with financial inclusion, indicating that managing debt effectively contributes to but is less strongly linked to financial inclusion compared to other practices. The strong correlations among the independent variables themselves indicate that improvements in one financial practice tend to be associated with improvements in others, suggesting an integrated approach to financial management.

4.2.2 Model fitness

Table 4.3: Model Fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.963[a]	.928	.927	.224362
a. Predictors: (Constant), Investment practices, Debt management practices, Saving practices, financial planning practices				

Source: Field Data (2024)

Results reveal that the model effectively explains financial inclusion among youths in Nairobi City County, as demonstrated by a 0.928 R-squared value. This suggests that the four predictor variables; savings behaviors, debt management techniques, financial planning activities, and investment practices account for about 92.8% of the variation in financial inclusion. The remaining 7.2% of the variation is due to external factors that were not taken into account in this investigation. Additionally, a strong association between financial inclusion and these predictor variables among Nairobi City County youth is indicated by the R value of 0.963.

4.2.3 Hypotheses Testing

Regression analysis with a significance threshold of 0.05 was used for hypothesis testing in order to evaluate the impact of investment practices, debt management, saving habits, and financial planning's strategies on financial inclusion young people in Nairobi City County.

Table 4.4: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.101	.112		9.834	.000
	Saving practices	.225	.029	.299	7.665	.000
	Debt management practices	.405	.041	.337	9.773	.000
	Financial planning practices	.198	.038	.206	5.190	.000
	Investment practices	.728	.039	.759	18.834	.000
a.	Dependent Variable: Financial inclusion					

Source: Field Data (2024)

Results: **Y = 1.101+ 0.225X1+ 0.405X2 + 0.198X3+ 0.728X4**

The constant term of 1.101 serves as the baselines level of financial inclusion occurs. Among the predictors, investment practices (β4) exhibit the strongest positive influence on financial inclusion, with a coefficient of 0.728, suggesting that advancements in investment practices correlate with a notable rise in financial inclusion. Debt management practices (β2) also contribute significantly, with a coefficient of 0.405. While savings

practices (β1) and financial planning practices (β3) positively affect financial inclusion, their impact is comparatively smaller, with coefficients of 0.225 and 0.198, respectively. All predictors are statistically significant ($p < 0.001$), indicating that each one contributes significantly to the promotion of financial inclusion.

H_{01}: Savings habits on financial inclusion.

A p-value of 0.000 and a coefficient of 0.225 were obtained from the regression analysis for saving habits, indicating that both values are below the significance threshold of 0.05. These findings suggest that saving behavior and financial inclusion are significantly positively correlated. As a result, at the five percent significance level, the null hypothesis H_{01} was rejected. The 0.225 positive coefficient suggests that as saving practices improve, financial inclusion among the youth also increases. This demonstrates that youths who consistently save are more likely to use services like bank accounts, loans, and investment opportunities as part of the official financial system. These results are in line with those of Van Hove and Dubus (2019), who also found a favorable relationship between financial inclusion and saving.

H_{02}: Debt management on financial inclusion.

The analysis demonstrated a meaningful statistical connection between debt management practices and financial inclusion, showing a positive coefficient of 0.405 for debt management practices, along with a p-value of 0.000. The null hypothesis H_{02} was rejected since the p-value was less than the significance level of 0.05. The positive coefficient of 0.405 illustrates that as debt management practices improve, so does financial inclusion among youths. Youths who demonstrate better debt management are more likely to access and utilise financial services, which helps to increase financial inclusion. The results align with those of Hamid and Loke (2021) and Dewi et al. (2018) who demonstrated that effective financial management, including debt management, is crucial for financial stability and inclusion. These studies align with the survey's results, emphasizing that while debt management is essential, there is a need for greater emphasis on seeking financial advice and developing comprehensive repayment plans.

H_{03}: Financial planning practices on financial inclusion.

A p-value of 0.000 and a positive coefficient of 0.198 were found via regression analysis, indicating that financial planning techniques have a major impact on improving financial inclusion. The null hypothesis, H_{03}, was not supported since the p-value was less than the 0.05 cutoff. Good financial planning is associated with a higher degree of financial inclusion, according to a positive coefficient of 0.198. Engaging in thorough financial planning enhances the likelihood that young people will access and utilize financial services, hence increasing their engagement with the formal financial system. This is consistent with the findings of Dewi et al. (2018), who discovered a substantial relationship between financial behaviour and financial attitudes and skills, suggesting that well-developed financial planning practices, which include setting goals and regularly reviewing financial plans, contribute significantly to improved financial inclusion.

H_{04}: Investment practices on financial inclusion.

An extremely significant positive correlation was found between investment practices and the analysis demonstrates a substantial correlation between investment behaviors and financial inclusion, with a positive coefficient of 0.728 and a p-value of 0.000. Consequently, the null hypothesis H_{04} was rejected. The positive coefficient of 0.728 suggests that as youths become more engaged in investment practices, their level of financial inclusion increases substantially. This suggests that youths who actively participate in investments are more likely to access various financial services, further improving their financial inclusion. The conclusions are in consensus with Wafula (2018) findings, who also highlighted that there exists a strong and meaningful connection between investment practices and financial inclusion.

5.0 Conclusions and Recommendations

5.1 Conclusions

The study comes to the conclusion that improving youth financial inclusion in Nairobi City County demands a solid background in financial literacy. The findings indicate that young people's access to and utilization of financial facilities is significantly influenced by financial literacy, particularly on investing, debt management, saving, and financial planning. Those youths who regularly save are more inclined to attain financial stability, which enhances their access to services like loans and bank accounts. The strong relationship between saving

practices and financial inclusion highlights the need to encourage savings among youths as a strategy to incorporate them into the financial system.

The research also concludes that effective debt management practices are essential for achieving financial inclusion. While the correlation between debt management and financial inclusion is moderate, it is evident that youths who manage their debts well are better positioned to access financial services and maintain financial stability. However, the study also highlights the need for greater emphasis on seeking financial advice and developing comprehensive repayment plans to enhance debt management practices further. The research indicates that financial planning plays a crucial role in determining financial1inclusion for young people. The relationship between financial inclusion and financial planning emphasises how crucial it is to promote careful financial planning practices to enhance financial access and usage among youths.

The research also finds that investment practices exert the greatest influence on financial inclusion for young people in Nairobi City County. The strong positive correlation observed between investment practices and financial inclusion emphasises how crucial participation and investing knowledge are to expanding access to financial services. According to the study, promoting young people to investigate and diversify their investing possibilities will greatly enhance their financial inclusion and, consequently, their long-term financial well-being.

5.2 Recommendations

The study recommends the implementation of comprehensive financial education programs aimed specifically at youths. These initiatives should emphasize essential aspects like saving habits, debt handling, financial planning, and investment approaches. By collaborating with educational institutions, financial organizations, and government agencies, these programs can be integrated into the school curriculum from an early age. This proactive approach will ensure that youths develop strong financial skills that are crucial for economic resilience and financial literacy throughout their lives.

Financial institutions and policymakers should develop and promote savings initiatives tailored to the unique needs of young people. These initiatives could include youth-friendly savings accounts that feature minimal fees, attractive interest rates, and incentives for consistent savings. Furthermore, the study highlights the importance of launching awareness campaigns to educate youths about the long-term benefits of regular saving.

To foster an atmosphere that encourages financial knowledge and inclusion, policymakers ought to collaborate closely with financial institutions, educational institutions, and non-governmental organizations. Creating regulations that incentivize financial institutions to provide youth-friendly financial services and products should be the main goal of this partnership. A unified approach that successfully meets the many financial literacy demands of young people will result from making sure that financial education is given top priority across the educational system.

Youths should actively engage with government programs, such as the Uwezo Fund, which serves as a flagship initiative under Vision twenty thirty. These programs offer access to affordable financing and resources designed to empower young people economically. By taking advantage of such initiatives, youths can improve their financial literacy, enhance their saving and investment practices, and ultimately achieve greater financial inclusion.

Finally, putting in place systems for keeping an eye on and assessing how successful financial literacy initiatives and programs aimed at improving financial inclusion among youths. Policymakers and stakeholders should collect data on participation rates, changes in financial behavior, and overall metrics of financial inclusion. This feedback loop will provide valuable insights that inform future strategies and adjustments, ensuring that efforts remain effective and responsive to the evolving needs of the youth demographic.

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