EFFECT OF FINANCIAL LITERACY ON FINANCIAL DECISION OF THE YOUTH AT YOUTH ENTERPRISE DEVELOPMENT FUND IN MOMBASA COUNTY

By

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DECLARATION

This research proposal is my original work and has not been presented to any other institution or university.

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This research proposal has been submitted for examination with my approval as university supervisor.

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LIST OF ABBREVIATION

ASIC Australian Securities and Investments Commission

OECD Organization for Economic Co-operation and Development

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ABSTRACT

The purpose of the study was to examine financial literacy effect on financial decisions among Youth at Youth Development Enterprise Fund in Mombasa County. The theoretical framework of the study comprised of the dual process theory, planned behavioural theory and the theory of social learning. The study adopted a descriptive research design, used a population 1000 youths from which a sample of 50 participants was selected through random sampling methods. Data was collected by use of questionnaires and analysed using descriptive statistics and multiple regression. Financial literacy has a statistical and significant relationship to financial decisions. The Regression analysis shows the Model R to be 0.741a which indicates that there is a strong relationship between financial literacy and financial decision. F-test Conducted shows an F-value of 3.602 and P-value of 0.023 ,the model shows that the relationship of the study variables is significant and the variables have a positive influence on financial decisions. All the variables had a p-value of less than 0.05 that is Financial Literacy, Education levels, marital status and Gender hence, this proves that all variables are statistically significant. The youth have a have level of literacy in terms of savings, expenditure, budgeting, retirement plans and loan management.. Youth literacy affects their financial decisions; with high levels of financial literacy youth registered with Youth Enterprise Development Fund repaid their loans in time. The youth have a mean average of more than half showing that the youth have financial literacy and skills in terms of savings, expenditure, budgeting, retirement plans and loan management in interns enables them to make reliable decisions enhancing their financial performance such as repaying of their loan. Financial literacy has an effect in financial decisions, the higher the literacy the better the performance of financial decision. This study finds that financial literacy has a positive effect on financial decisions among Youth at Youth Development Enterprise Fund in Mombasa County.It is recommended that Youth Enterprise Development Fund need to come out with a policy to roll out more training policy on financial literacy and provide more training to those youth still affected by poor financial decisions. They should develop a policy that will enable all the youths who are underrated in their financial literacy and be able to develop their literacy to better their financial decision. The study recommend that youth should attend more training programs so as to develop their literacy on financial affairs that would intern enhances their financial decision. They should engage with more financial learning programs and workshops that would improve their knowledge and awareness on financial concerns and they would be able to make better financial decisions. The study suggested that further studies on other variables which affects financial decisions of the youth at youth Enterprise development fund should be conducted to be able to determine their impacts on their financial decisions as Adjusted R Square was low (32%). This will enable to determine what effect other variables have on the youth financial decisions which were not part of this study objective. This study suggested further studies on youths at other youth's loan program level such as county government loans to the youths and loans from banks since this study was based on youths at Youth Enterprise Development Fund,. This will also capture all other youths at other loan youths programs and be able to conduct a relative study on the effect financial literacy has on their financial decisions.

CHAPTER ONE
INTRODUCTION

1.1 Background of the study

Financial literacy is Knowledge of funds and financial products that enable individuals to make wise choices on financial options in order to have efficient and good decisions about handling their finances. Financial literacy revolves around different areas of understanding. It involves getting knowledge about money and how it operates which is a vital feature, as having sufficient knowledge on products like credit facilities and insurance covers would enable efficient use of funds. According to Huston (2010), financial literacy entails the application of the financial knowledge in making spend and save decisions in order to secure the financial goal as much as possible. Lack of adequate financial knowledge has adverse effects on the individual wellbeing, money management ability and ultimately attainment of the financial goals. The greater the degree of awareness of finance issues, the higher the probability of making important financial decisions. Today's world has changed to a rather sophisticated financial products calling for a certain level of financial awareness for better financial decisions. Evans (2008), defines that someone without significant knowledge or literacy on financial issues, their financial behavior seems to fall towards default options. Financial literacy is of concern because there are factors regarding costs, market opportunities and risks associated which is essential in making good financial decisions.

Three major theories are used to give a more detailed view of this study, which are Dual process, Theory of Planned Behavior and Theory of social learning. They are borrowed in this study for provision of more understanding on effects of financial literacy on financial decisions. Dual process theory describes two thought processes that individual go through when making decisions that is type 1 and type 2 processes. Type 1 is fast and personal emotional reaction on information while type 2 is a controlled process which is slower, conscious and reason based process which is important for rationale in financial decision. Ethical judgments resulted due to two competing processes: a fast, emotional-driven process and a slow reason based process. Dual process theory is important in explaining whether financial decisions are based on intuitive or cognitive thinking.

On the other hand, Theory of Reasoned Action is extended by Theory of Planned Behavior (Ajzen&Fishbein 1980). The two theories are based on the promise that individuals make informed, reasoned decisions to take on in specific behaviors by evaluating the information accessible to them. The theory discusses that individual behavior can be group into the following categories which include; control, normative and behavioral attitude. The behavioral attitude focuses on the impact of individual behaviors; normative beleifs focuses on other individual's expectancy on our behavior and a control ideology state that they are barriers to performance of behavious. Theory of Social Learning holds that a decision is made after a process of learning which is through observation and direct instruction. An individual tends to observe and take direct instruction and then develops stimulus response that is making decision. Youth enterprise Development Fund Groups are always ready to initiate a process which can trigger their attitudes, behavior and awareness. The theories fits the current research study since the study will seek to find out the effect of financial behavior, awareness and attitudes towards financial decisions among Youths at Youth Enterprise Development Fund in Mombasa County.

The Youth Enterprise Development Fund was registered on the year 2006 and later transformed into a fully state entity in 2007 under the Ministry of Public Service. They provide Funds that are disbursed by the government by means of financial mediators and the Youth Enterprise Scheme Constituency. In Mombasa County, there are a number of Youth who engage in various activities which are funded by Youth Enterprise Development Fund. They target Kenyan youths between the ages of 18 to 35 to provide a vast range of economic opportunities. Several youth are registered in Mombasa County. They provide project which involves a dedicated talented youth volunteers' best role models to other young people in the community. Youth development fund uses different strategy such as sports to reach the youth to educate and sensitize them on many issues affecting them in circle of life and developing their potential skills. The core functions of the youth development funds are to provide loans to youths, market support and linkages, enterprise development, employment scheme and commercial infrastructure.

1.1.1 Financial literacy

Mandell, (2007) defined financial literacy as potential to analyze new and complex instruments of financial and to make decisions that are informed and reliable on the preference of instruments and the level of consumption which will be in best interests for long-term purpose . Financial literacy awareness cannot be ignored, as this may lead an uneducated individual not able to identify financial products and services, budget correctly to meet expenses, being uncertain on how to get financial guidance and likely to fall victim of financial scam practices as per ASIC, (2003). Financial literacy education is very vital and beneficial to young generation (youth). Financially literacy enables consumers to establish wise decisions and better demand for high quality services, Promoting efficiency and effectiveness in the market industry. Financial literacy is based on different measures that include; financial knowledge, saving literacy, retirement plan literacy and debt management literacy, all these aspects combined defines the financial literacy individuals. Financial literacy is associated with borrowing, saving and spending (Stango and Zinman,2009).

1.1.2 Financial Decisions

This is a financial practise concerned with well-organized sourcing and utilization of finances to ensure an individual's current and future needs are well taken care, (Hilgert and Hogarth, 2003). To a large extent an individual's choice on savings, consumption, investment and securing the future form important parts of financial decisions. Individuals making good financial decisions have a well thought plan and ensure that they execute it effectively, (Brown et al, 2005). Financial decision provides a basic ground on what action that an individual could decide and accomplish. Financial decisions help to budget incomes such as household and costs, savings, investment, insurances and other decisions that need fund. Financial decision helps in expenditure such as instead of cash you use credit and other patterns of spending that leads in deficit. Financial decision is the determination of the potential investor, in case of an individual management where a corporation is involved, concerned on when, where, and how much capital will be invested on investment options available (Bhalla, 1982).

The Financial decision is concerned with what product or services to purchase so as the business benefits the highest return from it. For a business to achieve this there is need to balance its long-term objectives where the business spends all its funds in maximizing its long-term objectives and short-term objectives where the business requires settling its bills (Jappelli and Padula, 2011).The Financial decision determines what specific investments to start with. Financial decision is essential and often a challenging issue. Financial decisions are very significant among the many informed decisions that an individual has to make in life for future life. Therefore, it's important for one to learn how to decide to invest money, how to manage financial matters due to many readily available financial products and the how it works. Financial decision is vital as it has an effect on individual quality of life. The measures of financial decisions will be based on repayment of the loans. In this study it will be asses by looking at how the youths engaged in repaying the loan as a financial decision.

1.1.3 Financial Literacy and financial Decisions

Powell (2009) maintains that, the main aim of investors is to obtain gain above average returns and have a competitive advantage in the market always. Thus, financial literacy provides an extensive knowledge on how investors can continue in ensuring high return in markets by ensuring efficient financial decisions. Inability to make sound financial decision due to poor financial literacy leads to making of risky financial decisions such as poor portfolio mix, poor debt management strategy and poor financial decisions including buying and selling securities (Calvet*et al*.2009).

Financial literacy is viewed as a broader concept due to complexity in market fluctuations; it is complex to make financial decisions in a constantly dynamic markets. Insufficient financial awareness and knowledge put the investors in a situation to make decisions without being focus on the dangerous actions and long run earnings. It assists those investors who have not sufficient resources but try to get more advantage from the limited resources available. It assists to know about the current investment methods, capital budgeting, profitability edge and money flows to meet the objective in spite of having inadequate resources (Seth, Patel and Krishnann, 2011). Financial decision is a process which varies among individuals and it depends on the critical of a person that rely on greatly on financial knowledge. When variables are clear he/she will take precautionary measures to avoid risk in the future, to knowing about the factors which have huge importance and relationship in financial decisions is a highly important aspect for an individual investor or for the growth of the economy. In current era one should not have only the information about the updates in financial decisions but they also should have knowledge about the information on financial knowledge and its influence on the decisions taken for the investment purpose.

1.2 Research Problem

As a result of complexity of financial products and services, the financial literacy levels and financial decisions by individuals or community has expanded significantly which is anticipated in future to grow more. Consumers can choose and differentiate different varieties of financial products and services offered by financial organizations today (Greenspan, 2005). Individuals or groups with low or no financial awareness knowledge are likely to face the following challenge's; no opportunity to participate in stock market, choose mutual funds, manage wealth effectively, have poor investment decisions and poor plan for retirements according to Lusardi & Tufano (2009).

In Mombasa County a great number of youth face many challenges such as drugs and unemployment, with studies showing shortage of financial knowledge and management skills among needy youth leads to failure of the entrepreneurs (Simcock, 2007).Youth development funds has developed several projects and strategies in empowering youth such as Providing Uwezo, talanta, Agri-biz and constituency-based loans. All these are loans channeled to Mombasa youths. It has also made several financial training programs for the youths and helps in marketing of their product as well as linkage of their small enterprises to large investor's enterprises.

Research studies about financial literacy awareness and financial decisions have been studied by scholars in Kenya. Achieng (2017) studied the effects of financial literacy on personal investments decisions among bankers in Kenya and recommended a continuous education on investments. Another study by Mutuku (2015) point out that financial literacy has a strong positive effect on investment decisions. Individuals and entrepreneur with financial literacy who could access funds and monitor performance were seen to have positive financial returns in Nairobi County (Sabana, 2014). A study in Meru showed that Miraa Farmers who possessed financial literacy had higher returns to all farmers in the county. Mugweru, (2001) in his study on NSSF proposed that NSSF when establishing Investment department should constitute of experts that are financial literate that will hold on proper investment policies and procedures.

Similarly international research on financial literacy and financial decision has been studied .In USA a study by (Chen and Volpe, 1998) showed that individuals with higher financial literacy are able to manage their investment and finances decisions more efficiently and effectively. Mian (2014) conducted a study on level of financial literacy and its impact on financial decisions in Saudi Arabia, he revealed that there is negative relationship between financial literacy and the need for financial decisions. Tabiani and Mahdzan (2012) did a research study on impact of financial literacy on saving in Malaysia which showed a significant positive relationship between financial literacy and saving decision. Another study in Ghana, by Atakora (2013) found that there was no relationship between the financial literacy and investment decisions and concluded that the decision to invest depends on one's experience, age and exposure.

These research findings however, calls for a need for further studies to substantiate if there is any existence of relationship between financial literacy and financial decisions. Most of these studies are from developed countries or counties with good education systems and economic source; hence one cannot use these studies to generalize due to difference in developing countries. Furthermore, there is no research study on effect of financial literacy level on financial decisions among Youth groups located in Mombasa County. In the view of the problems raised above, this research study therefore, sought to fill the gap by addressing the question; Does financial literacy have an effect on financial decisions of the Youth at Enterprise Development Fund in Mombasa County?

1.3 Objective of the study

To examine financial literacy effect on financial decisions among Youth at Youth Development Enterprise Fund in Mombasa County.

1.4 Value of the Study

This study add great value to the borrowers of youths in Mombasa County since they learn the extent into which financial knowledge, attitude, awareness and behavior impact on the financial decision made that is it sharpens their knowledge on the wise and more rewarding ways on financial decision made then, now and in the future.

The study is important to managers of youth financial institutions and advisors of youth since they will able to discover areas to put more emphasis. They get enlighted that apart from providing financial assistance to youths it is important to educate the on financial concerns to enable them to effectively make good financial decision and utilize the fund give in a beneficial way which in turn also secure from defaults of the loans payments.

This research give insight to policy makers and government in their role in various ministries in Kenya on provision on financial education in all the school based program as this research give a clear impact and significance financial literacy has on financial decision which is a drive in economy hence government put more emphasize to enable to drive economy of this nation far.

Scholars and academicians benefit from added knowledge in finance and management of finances, also be able to identify other study gaps for future studies. They can refer to it during the theoretical review. Other scholars who may want to do further studies or increase their knowledge find this research very helpful.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter covers the study theoretical framework, empirical review, and conceptual framework, research gaps and summary of literature.

2.2 Theoretical Review

This section discussed four major theories namely social learning theory, expected utility theory, dual process theory and planned theory behavior which helped to better understanding of the context of the research study problem.

2.2.1 Dual Process Theory

Dual process theories provide architecture for interaction between intuitive (type 1) and cognitive (type 2) process. Because intuitive processes are often executed more quickly than their cognitive counterparts, they form the basis of an initial response, which may or may not be altered by subsequent deliberation. Type1 is fast and aligned to institution while the type 2 is slow and conscious. Type 2 system is analytical and rational and consequently important for rational decision making (Valerie, 2014). The contrast that the theory describes between intuitive and deliberative mind seems to make these theories especially suited to account for investment decisions education development.

According to dual process theory, the decisions made are a result of two competing processes: an automatic, fast, affect-driven process and a deliberative, slow, reason based process. Dual process theory is important in explaining whether financial decisions are based on intuitive or cognitive thinking and also financial knowledge abilities which include interest rate computation and portfolio selection criteria. Through this theory Youth Enterprise Development Groups in Mombasa County financial knowledge was examined to see whether it influences their financial decision making.

2.2.2 Planned Behavior Theory

This theory is an extension of Reasoned Action Theory by (Ajzen & Fishbein, 1980). Its based on the ideologies that, people make logical and reasonable decisions in engaging of precise actions by analyzing the available information for them. Personality’s intention to engage in a behavior and the perception that the behavior is within individual control determines the performance of that behavior. Theory of planned behavior proposed mainly to individuals whose behaviors can be changed and is more applicable when the chances of definite control over performance of a behavior and success are suboptimal, (Ajzen 1991). Since the individual behavior can either be deliberate or predictive the theory predicts deliberate.

The theory discusses that individual behavior can be group into the following categories which include; control normative and behavioral beliefs. The behavioral belief focuses on the impact of behavior of individual; normative ideology are focused with expectations of other people's on behavior we portray and a control attitudes holds that there exist hindrance to performance of behavior. Youth enterprise Development Fund Groups are always ready to initiate a process which can trigger their levels of attitudes, performance of behavior and level of awareness. Although, mainly the theory is concerned about management financial issues it fits this research since the research sought to determine the effect of their behavioral in finance, level of awareness and levels of attitudes towards decisions of financial concerns on youths at Youth Enterprise Development Fund in Mombasa County.

2.2.3 Theory of Social Learning

The discovery of this theory was done by Bandura (1977) who asserted that education process can only take place through two processes which include observation and direct instructions. The theory was intended to improve theories of stimulus response that's explains and determines how and why human beings responded to specific and certain attributes. Bandura argued that there was weakness attributed to learning process models which stipulated that social learning variables were not included in respect to certain responses found on certain human aspects.

This theory has been broadly used in application of understanding the psychological disorders and aggression, especially in the situation of behavior modification. Also it provides the theoretical foundation for the approaches of modeling behavior which is extensively in use in training programs. Recently, Bandura has also emphasized on the ideology of self-efficacy in wide range of contexts. The theory was appropriate for this research study since most of the financial decision were attributed to learning process of individuals whether formal or informal.

2.3 Determinants of financial decisions

Poor levels of financial literacy are mainly associated with ineffective decisions of finance. Calvet (2009) find that common investment mistakes are correlated with poor knowledge on financial literacy, such as the tendency to hold losing stocks and sell winning stocks, under-diversification, and portfolio mix decision. The financial literacy basics are essential to the everyday computations which are, determining the time value of money, cost of buying commodities and evaluating product value. All these financial knowhow would enhance an investor in shaping his or her decisions into an informed and effective financial decision.

The finding of this study by Grigion, (2015) has support from earlier literature that high educational level tend to increase the level of financial knowledge. Financial knowhow tend to increase as an individual continues in perusing higher education level that is from high schools to university levels. It indicates a strong relationship of level of education and literacy on financial issues. Financial literacy level is considered particularly low for those individuals who have less knowledge and education (Christelis, Tulio, and Padula 2010). Lusardi and Mitchell (2007) clearly indicate that the education level impacts financial decision behavior in that those without a college education have probability of less knowledge on financial matters.

Marital status relates to levels of literacy on financial on matters affecting financial decision. Study by Brown and Graf (2013) indicated that, those individuals who are not married are prone to have low levels of literacy on financial affairs, as compared to married people. Collectively, if an individual have a low literacy on financial affairs, they are exposed to probability of implementing awful decisions on financial concerns that may result to debts (Calamat, 2010).

On matters regarding the gender, Lusardi and Mitchell (2011) discovered that women are most likely in saying they don't know the answer and more prone to respond the questions wrongly. Women prefers to examine their levels of literacy on finance traditionally. Lusardi and Mitchell (2011) pointed out that both developed countries and the developing countries hold the same findings regarding financial literacy on female gender. Research Studies by Chen & Volpe (1998) support the claim that women have a great difficulty in calculations of their financial computations thus limiting their making of sound financial decisions.

Research shows that generally male are better in financial awareness and knowledge than female considering all factors constant according to Lusardi (2010). According to Hsu (2011) in regards to their personal finances, females tend to have limited financial knowhow. Mahnaz and Horton (2012) examined the financial literacy level among US women in a liberal college of arts and concluded that even women who are well educated have the tendency of low levels of financial literacy despite the education they acquired

2.4 Empirical Review

A study by Ibrahim and Alqaydi (2013) studied the effect of attitude on financial issues and affairs in service industry among individuals working together whose origin is United Arab Emirates. They considered a sample of four hundred and twelve participants. Responses from a five-point liker scale of importance adopted from Chen & Volpe (1998) measured the individual financial attitude. The study findings established a level of improvement on attitude of personal finance that had an expectancy of reducing dependence level on the use of credit cards. Financial attitude involves preference of one investment opportunity or project over the other. In particular, what is the perception an individual to choose an investment? Financial attitude implicates on the opinion of an individual and judgment on finances portraying an outlook one has undertaken (Pankow, 2012).

Al-Tamimi and Kalli (2009) set to determine the association of the financial literacy with financial decisions by taking a convenient sample of two hundred and ninety investors in United Arab Emirate. The financial literacy level, as shown by the financial awareness, was found to be falling short of the expected level. They Empirical result of their study portrayed a positive correlation of financial education and the decisions on finance. Those with financial knowledge showed an increase in return in their investment as compared with those with low financial literacy.

Brown and Graf (2012) examined if financial behavior affects investment of household in Switzerland. Financial behavior was measured by the borrowings made by individuals, retirement planning and mortgage. A sample of 1,500 household was used to examine the correlation. Empirical results conducted out of a sample of 1,500 households portrayed a strong correlation of financial literacy level, as determined by behavior of finance, and the financial markets participation, retirement and saving and borrowing of mortgage.

Bowen (2009) did a research on hindrance of business administration of SMEs in Nairobi Kenya. The research results indicated that small Enterprises of over 50 percent have a poor performance, with three in every five small enterprises collapsing in few time after opening busines. The findings also indicated that education has a positive effect to business achievement and recommended the necessity for small enterprises to be equipped with training in areas relevant to their business operations.

Bruhn and Zia (2011) undertook a research on the effect of Financial Literacy and investments for Young Entrepreneurs in Bosnia. They discovered that the difference of impact of training on individuals with below median financial literacy and those that are above median financial literacy determines business returns and achievements. The findings also showed that investors with above median financial literacy and below median financial literacy changed some of their business approaches, such as making investments in their business and personal accounts separation from their enterprises; however, only the entrepreneurs with above median financial literacy at baseline were reported to have an increases in profits and sales as a result of the training. These research findings concluded that baseline information and knowledge potrayed in the finance training provides advantage in enhancing the growth of sales and productivity of a firm. Moreover they added that an entrepreneur who is comparatively equipped with financial literacy shows developments in growth of business due to the exposed to programs of training.

Njehia (2014) undertook a research to examine the impact of of financial literacy on personal financial management of employees of Mumias Sugar Company limited. The reseach employed design of descriptive survey, targeted 2000 employees of the firm and collected primary data by administering questionnaires. Using technique of simple random sampling, 200 employees were selected as samples. Regression analysis was used to analyze the data obtained. The study concludes that the financial planning was positively affected by the level of financial literacy. Most of the employees were also found to be literate financial issues.

Onyango (2014) also conducted a research that examined the effect of financial literacy on personal finance management using design of descriptive survey. The research involved Population of 12,600 employees of banks in Kenya and a sample of one hundred obtained using random sampling. Primary data was obtained using questionnaires and analysis undertaken using regression analysis, descriptive statistics, and content analysis. The study found financial literacy to strongly influence personal financial management.

Gachango (2014) investigated the impact of financial literacy in personal financial management. The research was conducted using design of descriptive survey and focused on employees in financial and banking institutions. A sample of one hundred employees was studied and collection of primary data was administered by use of questionnaires. Data analysis using regression analysis was done. The study concludes that financial literacy levels affects personal financial management practices to a large extent by personal.

Gatakaa (2010) also studied the effect of personal financial literacy on lending by commercial banks in Kenya, in a research study. The census survey used design of explanatory research. Primary data collection was administered by use of questionnaires and data analysis undertaken using content analysis. The study finds financial literacy influences lending decision; it increases the chances of approval of a loan facility and improves decision understanding by borrowers

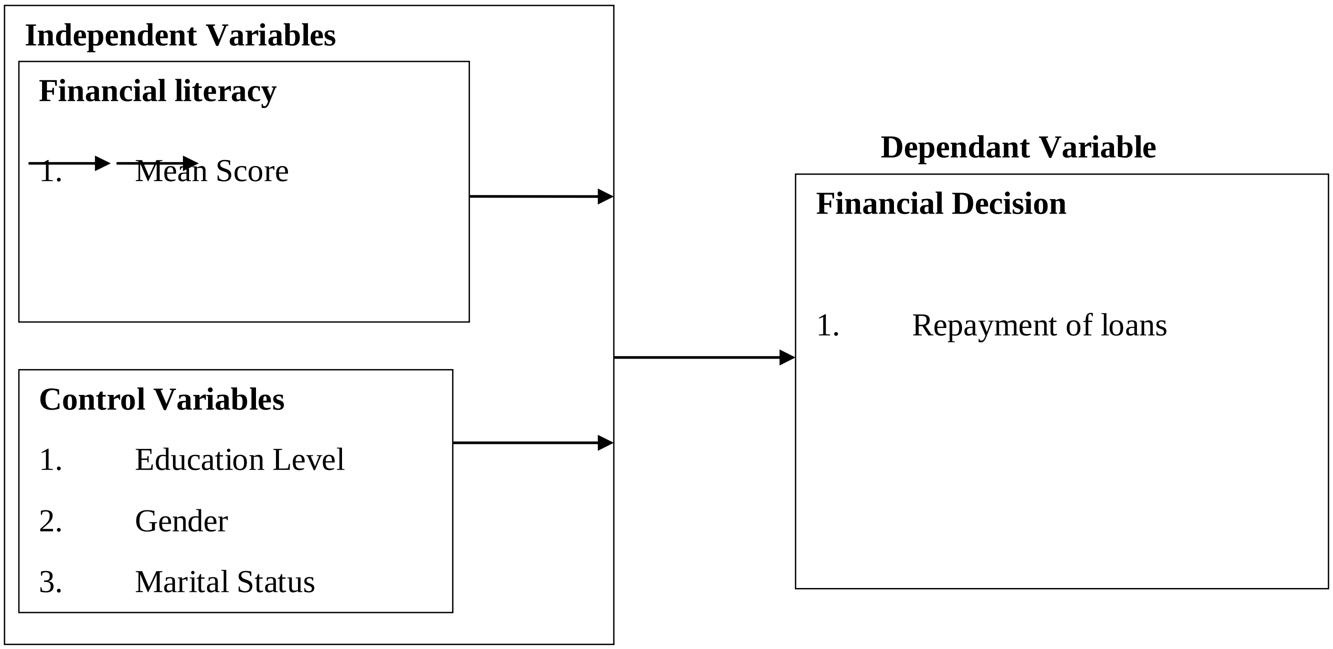
2.5 Literature Review Summary and Research Gaps

The review on empirical studies shows that financial literacy affects financial decisions. It is, therefore, vital to increase financial literacy level among the youth. Study findings further suggest that individuals who ensured investment planning were limited by their financial literacy levels this revealed that there remains a knowledge gap limiting individuals from making successful investment decisions, (Chen & Volpe, 2002).

Financial literacy holds people from making uninformed financial decisions, and other determinants of the financial decisions encompass the demographic factors like gender, marital status and individual's level of education, (Pavlicko, 1996). The review has shown several evidence on financial literacy and financial decisions. Therefore, it is vital that study to be done to establish the relationship of financial knowledge on financial decision among youths in Mombasa County.

2.6 Conceptual Framework

Conceptual framework is a diagram representing both dependent variables and independent variables . In the current study financial literacy is measured as financial knowledge, saving literacy, retirement plan literacy and debt management literacy whereas the dependent variable is investment decision operationalized as value of investment, gain on investments and dividends. It is summarized in figure below.



Source: Author (2020).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section discussed the methodology used in this research to collect and analyze relevant data. The chapter discussed the following study research design, study population, sample design, data collection techniques and data analysis.

3.2 Research design

The research study adopted a descriptive research design to examine the effects of financial literacy on financial decisions among the Youth Enterprise Development Fund groups in Mombasa County. Descriptive research allowed for quantitative analysis hence a preferred design. According to Mugenda, 2003 a descriptive research design defines and reports the way things are which primarily sought to describe respondents' characteristics. The research design selected was suitable for the research study as it measured the relation among the variables hence possible to collect and analyze data from a big population in the most cost effective way.

3.3 Population

This study focused on the registered youths who have received financial support from Youth Enterprise Development Fund from Mombasa County. The population was youths registered with Youth Enterprise Development Fund in Mombasa County and having taken loans between the periods of 2016 to 2018. According to Youth Enterprise Development Fund there are 1000 youths registered in Mombasa County.

3.4 Sample and Sampling Design

This study used sample size of 50 participants from the youth groups by use of random sampling method to be studied from the population. This method was used to ensure that every youth has an equal opportunity or probability to be chosen into the sample. The population was listed in numbers then picked the number after skipping every 20 numbers. This picked numbers was the sample representing the population.

3.5 Data Collection Method

This study used both primary and secondary sources to obtain information by use of closed ended questionnaires. The questionnaires were distributed to selected groups from the population. Questionnaires were used in collecting the primary data as the respondents read and gives answers to each item and a huge number of subjects can be reached (Orodho, 2004).Respondent of questionnaire were selected youths of the sample.This method was thought to be suitable as it assured that all subjects under study were exposed to comparable ideals in the whole procedure of data gathering in that all questions were identical and were administered in the same way .Questionnaire was encouraged since it enabled gathering of primary data at a reduced cost and in a short period for the aim of describing the whole populace, Ogutu, (2012). Data were adopted from Mwangi 2017.

3.6 Data analysis.

The dully filled questionnaires were reviewed for consistency and completeness. The collected data was coded using worksheets and cleaned to ensure that all set of questions were dully filled and done appropriately. This involved consistency check to make sure that instructions were followed accordingly. The data was analyzed using multiple regression analysis to establish the relationship of the research variables. Regression and correlation analysis was performed to link independent variables to dependent variable by use of regression model. Descriptive statistics analysis was also used in analyzing data, where correlation of variables was calculated, standard deviation, percentages and mean. Presentation of data used charts, frequency tables and graphs. Regression equation was used to establish the effect of independent variables on finsncial decisions among the youth groups.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mu$$

Whereby;

Y= financial decision

X_1 = Financial Literacy

X_2 = Education level

X_3=Marital status

X_4=Gender

β_0 - Is the constant of the model

β_1- β_4 – Are the regression coefficients

μ= Error term

In the model, β_0 = the constant term while the coefficient $\beta 1 - \beta_4$ was used to measure the ratio of change in dependent variable per unit change in independent variable and μ is the error term accounted for other factors influencing investment behavior excluded in the model.

3.7 Operationalization of variables

Table 3.1: Operationalization of variables

Symbol	**Variable**	**Indicators**	**Measure**
Y	financial decision	Loan payments	Repayment of loans
X_1	Financial Literacy	Knowledge on financial matters.	Score
X_2	Education Level	Academic certificates	Academic qualifications
X_3	Marital Status	Indicating Married or not	Status on Marital
X_4	Gender	Indicating Male or Females	Determine Male / or Female

3.8 Test of Significance

Tests of significance were used to determine whether the variables in the conceptual model related with investment decisions. The test of significance was used to determine the effect of financial literacy on investment decisions. F-test tested for joint significance of all coefficients and t-test for significance of individual coefficients.

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CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction.

Chapter four covers analysis for study background data and variable related data. The response given by study participants was analyses using of descriptive statistics such as mean and standard deviation. Furthermore, correlation and regression was done to establish significance level of relationship of the study variables that are independent and dependent variables.Findings are presented in tables, summary and charts to give clear illustration of the relationships established.

4.2 Response Rate

The study was done on 50youth registered with Youth Enterprise Development Fund in Mombasa County. 40 participants filled and returned the questionnaires out of the 50 respondents that were given questionnaires, giving an 80% response rate. The table below provides the frequencies and percentages of the study respondents.

Table 4.1: Response Rate.

Response .	Frequency.	Percentage.
Responses.	40	80%
Non-responses.	10	20%
Total.	**50**	**100%**

The Response rate was at 80 % for those who filled and returned questionnaires while 20% did not provide data for analysis. According to Mugenda and Mugenda (2012) a response rate above 70% is good. The high return rate is attributed to the fact that the researcher administered the questionnaires directly to respondents.

4.3 Reliability and validity tests

4.3.1 Reliability tests

The study variables were tested for reliability by use of Cronbach alpha method. The analysis gave an overall alpha of 0.713 which is above the average 0.7 alpha hence the data obtained is reliable in generalizing the study findings. From the findings as illustrated in table 4.2 below; all variables had an alpha of more than 0.7, it's concluded that the study data is reliable and has a high degree of consistency.

The table below provides the reliability results for variables tested with the Cronbach alpha.

Table 4.2: Reliability test.

Variable.	Cronbach alpha.	Item.
Financial literacy.	0.713	24
Average	**0.713**	**24**

4.3.2 Validity test

The study used KMO and Bartlett test to test the validity of the research data collected. From the analysis, The KMO sampling adequacy was .802. According to Neuman (2014), higher values which are closer to 1.0 show that a factor analysis may be useful with the research data. This meant that the data was useful in factor analysis. For the Bartlett's Test of Sphericity, the significance was 0.000 which was less than p<0.05, implicating that factor analysis may be useful with the available data.

Table 4.11: KMO and Bartlett's test

Kaiser-Meyer-Olkin. Measure of Sampling Adequacy.		.802
	Approx. Chi-Square.	83.466
Bartlett's Test of Sphericity.	df.	2
	Sig.	.000

4.4 Demographics of the study

The study seeks to determine the background information of youths registered with Youth Enterprise Development Fund in Mombasa County. Main focus on youth biography was on; gender, level of education and marital status.

4.4.1 Gender

The study seeks to determine the composition of gender of the youths registered with Youth Enterprise Development Fund in Mombasa County. The table below presents the frequencies and percentages of gender composition

Table 4.3: Gender.

Gender.	Frequency.	Percent.
Male.	24	60
Female.	16	40
Total.	**40**	**100.0**

As shown in table 4.3 above; the study established the following; majority of the youths are male with a 60% representation while female had a representation of 40%.

4.4.2 Age of respondents

The study seeks to determine the youths age registered with Youth Enterprise Development Fund in County of Mombasa as seen in Table 4.4 below. The Table below presents the frequencies and percentages of age distribution.

Table 4.4: Age of respondents.

Age.	Frequency.	Percent.
18-24 years	16	40
25-31 years	20	50
32-38 years	4	10
Total	**40**	**100**

Majority of registered youths are aged between 25-31 years represented by 50%; followed by 18-24 years represented by 40% while youth in the age bracket of 32-38 years had a 10% representation. Majority of the youth are still young and in colleges, using the finances to support their small businesses.

4.4.3 Level of education.

The study established the education level of youths registered with Youth Enterprise Development Fund in County of Mombasa, as seen in Table 4.5. The table below presents the frequencies and percentages for the participant's education level.

Table 4.5: Level of education.

Level of education.	Frequency.	Percent.
Primary.	10	25
Secondary.	23	58
College.	5	12
University	2	5
Total	**40100**	

Majority of youth registered with Youth Enterprise Development Fund in Mombasa Countyhad secondary level of education, represented by 58%; followed by primary level of education with a representation of 25%, then college level of education represented by 12% and lastly university education level represented by 5% of the registered youth. It was established that, most youth with basic education have the entrepreneurial urge to start businesses and create their own employment as compared to graduates.

4.4.4 Marital status

The study established the marital status of youths registered with Youth Enterprise Development Fund in County of Mombasa, as seen in Table 4.6. The Table below presents the frequencies and percentages for the respondent's youth marital status.

Table 4.6: Marital status.

Marital status.	**Frequency**	**Percent.**
Single.	26	65
Married.	11	27.5
Separated.	3	7.5
Divorced.	0	0
Total.	**40**	**100**

Majority of youth registered with Youth Enterprise Development Fund in Mombasa Countyare single at 65%; 27.5% of the youth are married; 7.5% are separated while 0 percent are divorced. The reason for high number young being single is attributed to the young age reported earlier.

4.5 Descriptive Statistics

This section discusses the study variables analysed mean, minimum and maximum values, frequency distribution and standard deviation for all the responses that were recorded by respondents. The analysis further shows the rating scale of the response was rated on scale of 1 to 5 for each question that was asked.

Table 4.7: Financial decision

Statement	**Min**	**Max**	**Mean**	**Std.dev**	**N**
Before I buy something I carefully consider-whether I can afford it	1.00	5.00	4.5600	1.04403	40
I tend to live for today	1.00	5.00	4.6400	.81035	40
I find it more satisfying in spending money-than saving for long term	1.00	5.00	4.4400	.82057	40
Money is there to be spent	1.00	5.00	3.9200	.95394	40
I keep a close watch on my financial affairs	1.00	5.00	3.4000	1.0000	40
I set long term goals and set to achieve them	1.00	5.00	3.9200	.95394	40
I pay my debts in time	1.00	5.00	3.8000	.40825	40

I know the consequences of defaulting	1.00	5.00	3.9600	.78951	40
I am familiar with the benefits of paying my-loans on time every month	1.00	5.00	4.0000	.74550	40
I am acquainted with the legal implications-of bankruptcy	1.00	5.00	3.2000	1.25831	40
Debt management practice enables me to-plan my investments well and effectively.	1.00	5.00	3.6400	1.31909	40
I am aware of the performance of my-Investments outside of my retirement	1.00	5.00	4.3200	.47610	40
A disciplined approach to re-balancing-my investment is very important	1.00	5.00	4.0800	.40000	40
I have determined how much income I-can expect on retirement	1.00	5.00	4.0800	1.25565	40
I have adequate knowledge to allow me-to manage my wealth upon retirement	1.00	5.00	4.0400	.67577	40
I save a portion of my income regularly	1.00	5.00	4.4000	.50000	40
I spend more in a month than I earn.	1.00	5.00	3.6400	.4899	40
I am conversant with rate of- savings	1.00	5.00	4.1600	1.02794	40

As presented in Table 4.7 above, youth registered with Youth Enterprise Development Fund in Mombasa County gave varied responses to statements carried in the questionnaires given to them; as shown above; consideration for credit affordability had a mean of 4.5600 and std.dev of 1.04403; tendency not to budget for tomorrow had a mean of 4.6400 and std.dev of .81035; satisfaction with long-term investments had a mean of 4.4400and std.dev of .82057; unplanned money expenditure had a mean of 3.9200 and std.dev of .95394; keeping a close watch on financial affairs had a mean of3.4000 and std.dev of 1.0000; setting long term goals and setting to achieve them had a mean of3.9200 and std.dev of .95394; paying debts in time had a mean of3.8000 and std.dev of .40825; knowledge of loan defaulting had a mean of 3.9600 and std.dev of .78951.

Furthermore, familiarity with the benefits of paying loans on timehad a mean of4.0000 and std.dev of .74550; acquaintance with legal implications of bankruptcy had a mean of3.2000 and std.dev of 1.25831; ability to manage debt management and investments effectively had a mean of3.6400 and std.dev of 1.31909; awareness on Investments outside of retirement had a mean of4.3200 and std.dev of .47610; A disciplined approach to re-balancing investment had a mean of 4.0800 and std.dev of .40000; determination of expected income after retirement had a mean of 4.0800 and std.dev of 1.25565; adequate knowledge on wealth manage after retirement had a mean of4.0400 and std.dev of .67577; saving a portion of income regularly had a mean of 4.4000 and std.dev of.50000; Spend more in a month than what is earned I earn had a mean of3.6400 and std.dev of .48990 while being conversant with present rate ofsavings and wealth accumulation had a mean of 4.1600 and std.dev of 1.02794.

4.6 Correlation Analysis

Correlation analysis was done to access the strength of the relationship of the independent variables and financial decisions. Significance levels of relationships are shown below;

Table 4.8: Correlation analysis

	FD	**FL**	**EL**	**MS**	**G**
FD	1				
Sig					
FL	.402	1			
Sig	.021				
EL	.192	.129	1		
Sig	.017	.080			
MS	.452	.261	.496	1	
Sig	.019	.103	.010		
G	.309	.432	.510	.301	1
Sig	.041	.009	.014	.021	

Source: Researcher (2020)

Where:

FD = Financial Decisions

FL = Financial Literacy

EL = Education Levels

MS = Marital Status

G= Gender

The results reveal a significant positive relationship betweenFinancial Literacy, Education Levels, Marital Status, Genderand financial decisions. This affirms the study assumptions that the independent variables have an influence on financial decisions.

4.7Regression Results

Regression was done to estimate the relationships that a dependent variable has with the independent variables. It was used to analyze the impact and effect of the relationship that exists between the variables.

Table 4.9: Regression Model Summary

Model R.	R-Square.	Adjusted R Square.	Std. Error.	Sig. F	Durbin-Watson.
.741a	0.549a	0.320	2.03894	.023	.870

Source: Researcher (2020)

a. Predictors: (Constant), Financial Literacy, Education Levels, Marital Status, Gender

b. Dependent Variable: Financial Decisions

From table 4.9 above; it can be observed that the r-square value of the variable is .0.549which means that the factors of financial literacystrongly correlate with financial decisions. This indicates that financial literacy can only explain 54.9% of financial decisions hence other factors (45.1%) which were not covered in the study also affect financial decisions of youth registered with Youth Enterprise Development Fund in Mombasa County.

Table 4.10: ANOVA result.

Model.	Sum of Square.	df.	Mean Square.	F.	Sig.
Regression.	32.345	2	16.172	3.602	.0227b
Residual.	63.145	18	3.508		
Total.	95.49	20			

a. Dependent Variable :, Financial decisions

b. Predictors : (Constant), Financial Literacy, Educations Levels, Marital Status, Gender

ANOVA is assumed and concluded significant if its p-value is ≤ to 0.05. The model has a P-value of 0.0227 < 0.05; hence fit in defining the relationships between financial literacy for independent variables and financial decisions for youth registered with Youth Enterprise Development Fund in Mombasa County. With an F-value of 3.602 and P-value of 0.023 the model, shows that the relationship of the study variables is significant and the variables have a positive influence on financial decisions.

Table 4.11: Regression coefficient.

Model.	Unstandardized Coefficients.		Standardized.	t.	sig.
	B.	Std. Error Beta.	Coefficients .		
(Constant)	6.1227	1.9488		3.142	0.005
Financial Literacy	0.187	0.337	0.119	0.557	0.015
Education Levels	0.569	0.530	0.301	0.975	0.029
Marital Status .	1.671	0.487	0.877	2.030	0.003
Gender	0.232	0.242	0.225	0.712	0.034

Source: Researcher (2020)

Financial Literacy, Education Levels, Marital Status, Gender

From table 4.11 above, it can be observed that the study had an intercept of 6.1227 which implies that when all other factors are held constant a, variation in financial decisions would be 6.1227.

$$Y= 6.1227+ 0.187X_1 + 0.569X_2+ 1.671X_3+ 0.232X_4$$

From above result of regression, it can be derived that a unit change in Financial Literacy influences financial decisionsby 0.187, a unit change in education levelsinfluences financial decisions by 0.569, a unit change in marital statusinfluences financial decisionsby 1.671 while a change in unit of gender result to 0.232 changes in financial decisions. All the variables had a p-value of less than 0.05; Financial Literacy had a p-value of 0.005, Education levels had a p-value of 0.029, marital status had a p-value of 0.003 while Gender had a p-value of 0.034, hence, this proves that all variables are statistically significant.

4.8 Discussion of Findings

The mean was above average so financial literacy affected the financial decisions of youth registered with Youth Enterprise Development Fund in Mombasa County. Majority of the youth agreed that credit offered is affordable unlike credit offered by other financial institutions. When asked about their financial behaviours, most youth indicated that; they have a tendency not to budget for tomorrow, they are not satisfied with long-term investments and in most cases have unplanned expenditure. On a positive note, youth indicated that they keep a focus on financial issues, prefer long-term objectives, paying debts in time, possess knowledge of loan defaulting and are familiar with the benefits of paying loans on time. Furthermore, registered youth proved to be aware of laws governing the fund, to an extent know what will happen if their businesses become insolvent due to mismanagement of debt management. On their future plans, registered youth proved that they save and investment as a means of securing their retirement days. To effectively achieve this, they have a disciplined approach of balancing investment and expenditure, have acquired skills on managing their wealth and have registered with pension schemes i.e Nation Social Security Fund.

The study related to a study by Bruhn and Zia (2011) conducted to research the effect of Financial Literacy and investments for Young Entrepreneurs in Bosnia. The study discovered that there is difference in impact of the training on individuals who are below and those have above median financial literacy which determines business outcomes and practices. Findings also relate to another study done by Njehia (2014) that investigated the effect of financial literacy on personal financial management of employees of Mumias Sugar Company limited. The study established that the level of financial literacy affects financial planning. Alot of the employees were also found to be financially literate.

The relationship between independent variables i.e financial literacy, education levels, marital status, genderand dependent variable i.e financial decisionswas tested using correlation, ANOVA and regression analysis. Correlation analysis revealed significant positive relationship betweenFinancial Literacy, Education Levels, Marital Status, Genderand financial decisions. Regression co-efficient revealed that variables are significant, all thevariables had p-values of less than 0.05; Financial Literacy had a p-value of 0.005, Education levels had a p-value of 0.029, marital status had a p-value of 0.003 while Gender had a p-value of 0.034, hence, this proves that all variables are statistically significant. With an F-test of 3.602 and all variables statistically significant, the model adopted is fit in explaining the dependent having a relationship with independent variables. The findings positively relate to the findings of Onyango (2014) study that focuses on the effect of financial literacy on personal finance management, the study found financial literacy to strongly influence personal financial management. Furthermore, it relates to the findings of Gachango (2014) study which focuses on the impact of financial literacy in personal financial management. The study concluded that personal financial management practices is affected to a large extent by personal financial literacy levels.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter covers the summary of findings of this study and conclusions derived from the findings. It further present recommendations that were derived and focused on the research questions. Suggestions for future studies have also been made.

5.2 Summary

The study response rate was 80% which was appropriate for generalization of study findings. The responses given by the respondents were tested for reliability and it was established that the data used in analysis was reliable and had a high degree of consistency. Background information on registered youth revealed that; majority is male, aged between 25- 31 years and below, the have a secondary school level of education and unmarried. The Regression analysis shows the Correlation to be 0.741a which indicates that there is a strong relationship between financial literacy and financial decision. F-test Conducted shows an F-value of 3.602 and P-value of 0.023, the model shows that the relationship of the study variables is significant and the variables have a positive influence on financial decisions. It was established that; youth financial literacy level affects financial decisions; better literacy levels enable Mombasa youth to plan well for their savings, investment, expenditure and utilization of their income. Furthermore, youth are able to borrow and repay loans because they have a good understanding of financial concerns.

5.3 Conclusion of the study

Youth literacy affects their financial decisions; with high levels of financial literacy youth registered with Youth Enterprise Development Fund repaid their loans in time. Financial literacy has a statistical and significant relationship to financial decisions. The youth have a mean average of more than half showing that the youth have financial literacy and skills in terms of savings, expenditure, budgeting, retirement plans and loan management in interns enables them to make reliable decisions enhancing their financial performance such as repaying of their loan. Financial literacy has an effect in financial decisions, the higher the literacy the better the performance of financial decision. This study finds that financial literacy has a positive effect on financial decisions among Youth at Youth Development Enterprise Fund in Mombasa County.

5.4 Recommendations of the Study

Youth Enterprise Development Fund need to come out with a policy to roll out more training policy on financial literacy and provide more training to those youth still affected by poor financial decisions. Youth Enterprise Development Fund should develop a policy that will capture all the youths who are underrated in their financial literacy and be able to develop their literacy to better their financial decision.

The study established that youth should attend more training programs so as to develop their literacy on financial affairs that would intern enhances their financial decision. They should engaged with more financial learning programs and workshops that would improve their knowledge and awareness on financial concerns and they would be able to make better financial decisions.

5.5 Limitation of the Study

This study faced challenges in terms of response obtained from the respondent as some of the respondent felt it was their confidential information to exposes their financial affairs and literacy hence were reluctant in providing answers to the questionnaire. We had to educate them and assure them on their confidentiality on their response which took us more time in obtaining their data.

Another challenge was collecting data as the respondents were scattered in different region of the county and when administrating the respondents asked for extra time to return the questionnaires. This consumed more time and as well increases cost of obtaining their questionnaires from different regions as some were outside the county of Mombasa region.

5.6 Suggestion for Further Research

Adjusted R Square was low (32%) this suggested that further studies on other variables which affects financial decisions of the youth at youth Enterprise development fund should be conducted to be able to determine their impacts on their financial decisions. This will enable to determine what effect other variables have on the youth financial decisions which were not part of this study objective.

This study was based on youths at Youth Enterprise Development Fund, this call for further studies on youths at other youth's loan program level such as county government loans to the youths and loans from banks. This will also capture all other youths at other loan youths programs and be able to conduct a relative study on the effect financial literacy has on their financial decisions.

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APPENDIX I: QUESTIONNAIRE

Instructions: Kindly take a few minutes to respond to this questionnaire.

Information supplied is purely for academic research purposes and will be treated with complete confidentiality.

SECTION A: DEMOGRAPHIC INFORMATION (Tick one)

1) What is your gender?

Male [ ]   Female [ ]

2) Please indicate your age in years ______________________

3) What is your highest level of education?

Primary [ ]   College [ ]

Secondary level [ ]   University [ ]

4). What is your marital Status?

Married [ ]

Single [ ]

Divorced [ ]

Widowed [ ]

Separated [ ]

SECTION B: FINANCIAL LITERACY

Kindly indicate the extent of literacy of the following aspects of investments in your life. Use a scale of 1 to 5 where: 1 = Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5 = Strongly Agree.

STATEMENTS	1	2	3	4	5
Before I buy something I carefully consider whether I can afford it					
1. I tend to live for today and let tomorrow take care for it self					
2. I find it more satisfying in spending money than saving for long term					
3. Money is there to be spent					
4. I keep a close watch on my financial affairs					
5. I set long term goals and set to achieve them					
6. I pay my debts in time					
7. I know the consequences of defaulting on a loan					
8. I am familiar with the benefits of paying my loans on time every month					
9. I am acquainted with the legal implications of bankruptcy					
10. Debt management practice enables me to plan my investments well and effectively.					
11. I am aware of the performance of my investments outside of 12. my retirement saving plans					
13. A disciplined approach to re-balancing my investment is 14. very important					
15. I have determined how much income I can expect on 16. retirement					
17. I have adequate knowledge to allow me to manage my 18. wealth upon retirement					
19. I understand how to minimize my tax liabilities					
20. I have adequate knowledge to manage my personal savings and investments					

21. I save a portion of my income regularly.					
22. I spend more in a month than I earn.					
23. I am conversant with my present rate of savings and wealth accumulation.					