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# Financial Literacy And Economic Wellbeing Of Households In Nairobi City County, Kenya

Beatrice Rachilo
Francis Omondi
*Msc Student, Masters Of Economics (Finance), Kenyatta University*
*Senior Lecturer, Department Of Applied Economics, Kenyatta University*

***Abstract***
*In Kenya, financial sector has undergone intensive financial reforms especially financial technology in banking on products such as automated teller machine and mobile banking. Additionally, one of the main targets of vision 2030 is to enhance financial access to all in order to improve financial literacy and allow sound decision making on financial spending which overally influences household wellbeing. However, many households have not attained optimum economic wellbeing as a result of inadequate financial literacy. The objective of this research was to assess the effect of financial literacy on economic wellbeing of households in Nairobi City County. The specific objectives were; to establish the influence of informed financial decisions on economic wellbeing of households in Nairobi City County; to evaluate the influence of financial savings on economic wellbeing of households Nairobi City County; and to evaluate the effect of financial spending behavior on economic wellbeing of households Nairobi City County. The study was based on three theories namely; prospect theory, dual process theory and life cycle theory. Both descriptive and explanatory research designs were adopted. Data was gathered from a secondary source. This study used secondary data from the data set of the 2021 FinAccess Household Survey. The unit of analysis was 625 households in Nairobi City County included in the survey. The study adopted a multiple linear regression model to examine the connection between financial literacy and the dependent variable. Diagnostic tests such as normality, Multicollinearity, heteroskedasticity and autocorrelation were conducted to ensure that the assumptions of regression analysis are not violated. The results revealed that informed financial decision did not have significant effect on the economic wellbeing. However, financial saving had significant positive effect while financial spending behaviour had significant negative effect on economic wellbeing of households Nairobi City County. The study recommends the need to design financial literacy programs that specifically target debt management. These programs should explain the Cost of Debt: Break down the true cost of debt, including interest rates, fees, and penalties so that households can make informed financial decisions. In addition, there is need to offer financial literacy workshops and seminars focused on budgeting skills and prudent spending habits to enhance financial spending behavior.*

***Keywords:*** *financial literacy, economic wellbeing, informed financial decisions, financial savings, financial spending behavior, and households*

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## I. Introduction

In recent years, financial decisions have become complex owing to increase in financial products as well as challenges related to the economic wellbeing of consumers attributed to the instability of global economies (Biswas, & Gupta, 2021). As a result, both in the workplace and in daily life, money management abilities have improved. Zulfiqar, and Bilal, (2016) opined that financially literate people can make sound decisions regarding their financial matters that help them achieve their goal, and have the potential to hedge themselves financially against economic shocks that are linked to risks that eventually affect economic wellbeing. Inadequate financial knowledge is a crucial aspect that is pulling people away from the financial market (Sharma, & Roshan, 2021). There has been increased participation of people in financial markets and this is attributed to emergence of more financial products as well as services. The monumental development of financial apparatus in the market in recent years has improved economic wellbeing of households and financial education is considered vital player in this process.

Economic wellbeing is the command which households have over goods and services produced in a certain economy (Zacharias, & Masterson, 2009). According to Wilkins (2021) wellbeing is a multi-part concept which normally focuses on six areas of satisfaction by individuals that include economic, physical, emotional, social, political, environmental and spiritual aspect. Wellbeing take different form of conflicts during different times that demand support across the board. It encompasses interdependent personal, interpersonal, and shared needs. Interrelated factors that affect wellbeing include the physical, cultural, and environmental contexts, as well as the technological environment and financial literacy (Bakar, Osman, Bachok, S., Ibrahim, & Mohamed, 2015). When it comes to improving the economic well-being of families, there is widespread agreement that financial literacy is an essential component (Lusardi, 2019; Philippas & Avdoulas, 2021; Goyal & Kumar, 2021).

The existence of finance knowledge will enable an individual to manage their financial spending and how they can maximize value for money derived from their own investments (Garman, & Forgue, 2014). Financial knowledge is an ingredient to household in realizing prosperity. The better understanding of financial management is paramount in reducing poverty and economically empowering households (Refera, Dhaliwal, & Kaur, 2016). A advanced financial literacy is allied to a better welfare and continuous changes in the financial market has necessitated increased individual household responsibility on financial decision making. Proper financial knowledge enables one to grow and manage financial assets well (Swiecka, Yeşildağ, Özen, & Grima, 2020). Recent development in financial structures and the complexity has called for the need to have financial literacy. There are so many people who lack adequate knowledge on financial activities and the need of financial literacy become more basic as compared to previous ages and times.

The government structures and many of the corporate entities have shifted risk to individual households (Parfitt, 2020). This has been done through formulation of policies that take away benefits of several households. Rationalization of social transfer financing has deprived many of these households' power to manage their financial obligations. This also made worse by limited knowledge on how to manage financial obligations by so many households. Other households are faced with other risks ranging from longevity credit, financial markets, and out of pocket healthcare (Gomes, Haliassos, & Ramadorai, 2021).

The United Kingdom enjoys robust economic wellbeing among households, driven by relatively high levels of [2]financial [2]literacy. [2]Research [2]by [2]Fernandes, [2]Lynch [2]Jr [2]and [2]Netemeyer [2](2014) [2]highlights [2]that [2]individuals [2]with [2]better [2]financial [2]literacy [2]in [2]the [2]UK [2]tend [2]to [2]make [2]informed [2]financial [2]decisions, leading to improved economic outcomes. Canada boasts commendable economic wellbeing among households, and the impact of high financial literacy is evident. The Canadian government has prioritized financial education initiatives, fostering a financially savvy population (Government of Canada, 2021). Robust financial literacy programs at schools and workplaces contribute to informed decision-making on savings, investments, and debt management (FCAC, 2019). Japan exhibits strong economic wellbeing among households, bolstered by effective financial literacy. Research indicates that the Japanese, known for their high financial literacy levels, make informed and prudent financial decisions, contributing to overall economic stability (OECD, 2016).

However, in Chile, low financial literacy contributes to poor economic wellbeing among households. According to a study by Agostini and Schindler (2013), insufficient understanding of financial concepts hampers effective financial decision-making, impacting savings and investment behaviors. In India, low financial literacy significantly hampers household economic wellbeing. Research by Sodani and Kumar (2016) underscores that inadequate financial knowledge leads to suboptimal financial decisions, hindering savings and investment practices.

Insufficient financial literacy in South Africa adversely impacts household economic wellbeing. Research by Adeola and Evans (2018) highlights that low financial literacy contributes to poor financial decision-making, leading to inadequate savings and investment practices. This, in turn, hinders wealth accumulation and financial security among households (Adeola & Evans, 2018). According to research by Okechukwu (2017), inadequate financial knowledge leads to suboptimal financial decision-making, hindering economic progress in Nigeria. Households often struggle with budgeting, financial planning, and accessing formal financial services due to a lack of understanding (Okechukwu, 2017; Anyanwu & Erhijakpor, 2019). This results in a low savings culture, leaving families vulnerable to economic shocks and hindering wealth accumulation (Anyanwu & Erhijakpor, 2019). Comprehensive financial education initiatives are crucial to empower Nigerian households and improve their economic resilience.

Ethiopia's economic resurgence, boasting a 6.4% growth rate (World Bank, 2021), paints a picture of progress. Yet, beneath this vibrant canvas lies a stark reality: many households grapple with economic vulnerability, their well-being hampered by a critical deficit – low financial literacy. This knowledge gap manifests in multiple ways. Lacking budgeting skills and understanding of financial products often traps families in debt cycles, hindering savings and resilience to economic shocks (Mekonnen & Yimer, 2019). Kampala City, the capital of Uganda, grapples with entrenched challenges surrounding the economic wellbeing of its households. This pervasive issue is influenced by a myriad of factors, encompassing unemployment, income disparities, inadequate social services, limited financial inclusion, educational disparities, and gender-based economic inequalities (UBOS, 2020; Muhumuza, 2018). Low financial literacy levels among Kampala's households contribute to poor economic decision-making, limited savings, and challenges in navigating the formal financial system (FSDU, 2018).

Nairobi City County, as the economic and administrative heart of Kenya, is a vibrant and diverse urban center. However, beneath its bustling surface lies a significant challenge the prevalence of poor economic wellbeing among a substantial segment of its households (Cheruiyot, 2022). The soaring cost of living in Nairobi further compounds the economic challenges faced by households. The escalating prices of essential goods and services, including housing, healthcare, and education, strain the budgets of those with limited incomes. Families find themselves caught in a cycle where the increasing cost of living outpaces any potential income growth, leading to financial vulnerability and diminished economic wellbeing.

While Nairobi boasts a lower poverty rate than the national average (16.5% compared to 38.6% in 2021, KNBS), stark inequalities persist (Mutahi & Ruteere, 2019). Informal settlements teem with families juggling precarious employment, low incomes, and limited access to basic services, a stark contrast to the city's economic vibrancy. This disparity arises from a complex interplay of factors. Rapid population growth strains resources, fueling competition for jobs and affordable housing (Nyamagwa, 2021). Informality dominates the economy, offering limited pathways to stable employment and benefits (Sabana, 2014). While social safety nets are improving, they remain inadequate for the most vulnerable (The Kenya Poverty Report, 2020). These interwoven challenges paint a dim picture of economic well-being for many Nairobi households.

The individual economic wellbeing is largely determined by its spending which not only affect their budgeting but also their social and emotional status (Brüggen, Kabadayi & Löfgren, 2017). In Kenya, financial sector has undergone intensive financial reforms especially financial technology in banking on products such as ATM and mobile banking (Monye, 2022). Additionally, one of the main targets of vision 2030 is to enhance financial access to all in order to improve financial literacy and allow sound decision making on financial spending which overally influences household wellbeing. However, many households have not attained optimum economic wellbeing as a result of inadequate financial literacy (Aicha, 2023).

About 35% of households in Nairobi are categorized as having high economic wellbeing. However, the majority, approximately 65%, of households in Nairobi face various economic challenges. These challenges include low wages or irregular employment, limited access to basic services such as clean water and sanitation, inadequate housing conditions, and a lack of financial savings or safety nets. Many households in this category may struggle to meet their daily needs, leading to financial stress and vulnerability to economic shocks (KNBS, 2022). Furthermore, within this majority group experiencing economic challenges, there may be subsets of households facing particularly acute difficulties i.e. households from informal settlements. This group often faces additional barriers to accessing economic opportunities and resources, exacerbating their economic challenges (Kenya Integrated Household Budget Survey and Economic Survey. 2020).

A significant portion of Nairobi's population faces challenges in accessing formal financial services, as revealed by the FinAccess Survey 2019. Limited financial inclusion hampers effective financial management, hindering households from saving, investing, and building economic resilience. Without access to banking and credit facilities, families struggle to navigate economic uncertainties.

While some research have been done on financial literacy effect of economic wellbeing of household, significant research gaps still exist. Sharma, and Roshan, (2021) focused on financial literacy and financial well-being, the study focused on financial wellbeing and not household economic well-being as the case of this current study. Besides, focusing on financial well-being, Kamakia, et al., (2017) investigated financial literacy and financial wellbeing among public sector employees. Similarly, Sabri, and Zakaria, (2018) used narrow scope by assessing the financial literacy on young workers' financial well-being. Bilal, and Zulfiqar (2016) showed a strong and significant connection between financial wellbeing and financial literacy among Working women of Pakistan. Contrary outcomes were reported by Mercan and Kitesashvili (2023) who showed financial literacy variable has an insignificant effect on financial well-being in Georgia. These findings presented mixed results thus leading to conceptual gap which this study intends to fill by determining the impact of financial literacy on economic wellbeing of households in Nairobi City County.

## II. Literature Review

The literature on the financial literacy impact on economic well-being, economic growth, poverty reduction, and per capita income is extensive, with numerous studies investigating this relationship across different countries and regions. Overall, the existing research provides evidence [2]of [2]a [2]positive [2]link [2]between [2]financial [2]literacy [2]and [2]these [2]economic indicators, but there are still some gaps and areas for further exploration.

Studies have been done on financial literacy impact of economic wellbeing of household. Sharma, and Roshan, (2021) studied financial literacy impact [2]on [2]financial [2]well-being. [2]The [2]research [2]discovered [2]that [2]there [2]was [2]a [2]positive [2]correlation [2]between [2]financial [2]literacy [2]and [2]financial [2]wellbeing. [2]Kamakia, [2]et [2]al., [2](2017) [2]investigated [2]financial [2]literacy [2]and [2]financial [2]wellbeing [2]of [2]public [2]sector [2]employees. [2]Financial [2]decisions

[2]and [2]demographic [2]characteristics, [2]respectively, [2]intervene [2]in [2]and [2]regulate [2]the [2]link [2]between [2]financial [2]literacy [2]and [2]financial [2]wellness, [2]which [2]was [2]found [2]to [2]be [2]positive.

Janor, [2]Yakob, [2]Hashim, [2]Zanariah [2]and [2]Wel [2](2016) [2]assessed [2]financial [2]literacy [2]and [2]investment [2]decisions [2]in [2]Malaysia [2]and [2]UK. [2]The [2]research [2]concluded [2]that [2]financial [2]literacy [2]is [2]still [2]low [2]in [2]both [2]countries [2]and [2]this [2]has [2]hampered [2]financial [2]decisions. [2]Sabri, [2]and [2]Zakaria, [2](2018) [2]assed [2]the [2]financial [2]literacy, [2]money [2]attitude, [2]financial [2]stress [2]and [2]financial [2]capability [2]on [2]young [2]workers' [2]financial [2]well-being. [2]The [2]study [2]found [2]out [2]that [2]there [2]was [2]significant [2]connection [2]between [2]financial [2]well-being [2]and [2]financial [2]literacy. [2]Bilal, [2]and [2]Zulfiqar, [2](2016) [2]evaluated [2]financial [2]wellbeing [2]is [2]the [2]financial [2]literacy [2]objective. [2]The [2]study [2]finding [2]revealed [2]that [2]financial [2]literacy [2]is [2]substantially [2]and [2]positively [2]linked [2]to [2]financial [2]wellbeing. [2]Financial [2]wellbeing [2]is [2]a [2]result [2]of [2]financial [2]literacy.

Sharma, and Roshan, (2021), Kamakia, [2]et [2]al., [2](2017) [2]and [2]Bilal, [2]and [2]Zulfiqar, [2](2016) established that financial literacy influenced economic wellbeing of household. While Janor, et al., (2016) noted that financial literacy is still low in both countries hampering financial decisions. On the other hand, Sabri, and Zakaria, (2018) observed that there were substantial associations between financial well-being and financial literacy. These finding presented mixed results thus leading to conceptual gap which this study intends by determining financial literacy impact on economic wellbeing of households in Nairobi City County.

## III. Theoretical Framework

The anchor theory for the current research as it relates to individual decision making under uncertainty and risk is the prospect theory, which was created by psychologists Daniel Kahneman and Amos Tversky in 1979. It describes how individuals actually make decisions. People are thought to be illogical and utilize heuristics in decision-making, which results in systemic errors because of skewed cognitive processes. To help prevent mistakes being made in investing decisions that have an impact on their financial wellbeing, financial literacy is required. According to Stone's (2012) dual processing hypothesis of financial functioning, a person's mind is split into two systems that influence their judgments. It assists in understanding whether [2]intelligence [2]and [2]financial [2]literacy [2]prevent [2]investors [2]from [2]making [2]common [2]investment [2]mistakes. The theory relates financial literacy with investment decisions and economic well-being. Ando and Modigliani's (1963) life cycle theory provide additional theoretical support for the study; according to this theory, people save the most during middle age because, while they are young, most [2]of [2]their [2]income [2]goes [2]toward [2]housing [2]and [2]education. [2]In [2]old [2]age, [2]when [2]they [2]are [2]unemployed [2]and [2]have [2]no [2]income, [2]they [2]spend [2]what [2]they [2]saved [2]while [2]they [2]were [2]young. [2]Recognizing [2]the [2]impact [2]of [2]demographic [2]factors [2]on [2]the [2]correlation [2]between [2]financial [2]literacy [2]and [2]economic [2]security, the research concludes.

## IV. Research Methodology

An explanatory research design was adopted. Data [22]was [22]gathered [22]from [22]a [22]secondary [22]source. [22]This [22]study [22]used [22]secondary [22]data [22]from [2]the data set of the 2021 FinAccess Household Survey. The unit of analysis was all the 620 households in Nairobi City County included in the survey. Data was collected from the field using the Computer Assisted Personal [2]Interviews [2](CAPI) [2]system [2]which [2]was [2]developed [2]by [2]KNBS [2]between [2]October [2]and [2]December [2]2021. The data collected encompassed the study variables namely, informed financial decisions, financial savings, financial spending behavior, and economic well-being.[2]The [22]data [22]was [22]organized [22]and [22]summarized [22]using [22]descriptive [22]statistics. [2]The average, dispersion, and margin of error. In contrast, inferential statistics were used to analyze the data in the research. Using a regression model and correlation analysis, the data from this study was examined. The SPSS statistical program was used for the investigation. To test the relationship between study variables, a regression model was used:

$$Y = \beta_\circ + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where -

$Y$ : Economic well being

$X_1$ : Informed financial decisions

$X_2$ : Financial savings

$X_3$ : Financial spending behavior

$\beta_\circ, \ldots, \beta_3$ : Regression Coefficients

$\varepsilon$ : Error term

## V. Research Findings And Discussions

Descriptive analysis was conducted to give descriptive statistics on the variables. Measures of central tendency and data distribution were incorporated in the summary statistics. Table 1 shows an overview of the findings.

**Table 1: Descriptive Statistics**

| | N | Min | Max | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Economic Wellbeing | 625 | 14.29 | 200,000.00 | 9,900.08 | 14,206.54 |
| Informed Financial Decision | 625 | .00 | 13.78 | .6410 | 2.22295 |
| Financial Saving | 625 | -1.00 | 9.34 | .2681 | 1.33620 |
| Financial Spending Behavior | 625 | .52 | 1.00 | .9514 | .04215 |
| Valid N (listwise) | 625 | | | | |

**Source: Author (2025)**

In this study, economic wellbeing was measured using per capita income at household level. The data provided indicated a range of economic wellbeing among the participants, with a minimum per capita income of Ksh14.29, a maximum of Ksh 200,000.00, a mean income of Ksh 9,900.09, and a standard deviation of Ksh 1,206.54. This wide range of incomes suggested significant variability in economic status among the individuals sampled. The large standard deviation indicates that incomes are widely dispersed around the mean, suggesting a diverse distribution of economic wellbeing within the sample.

The variable of informed financial decision in this study is measured using the ratio of the cost of debt to total debt. The data shows a range of values, with a minimum ratio of 0.00, a maximum ratio of 13.78, a mean ratio of 0.6410, and a standard deviation of 2.22295. A mean ratio of 0.6410, translated into a debt burden of 64.10%, indicates that a significant portion of the participants' debt goes towards servicing the debt itself, rather than paying down the principal amount. This suggests that a substantial number of participants might be struggling with managing their debt obligations. The high debt burden observed in this study suggests a potential lack of informed financial decision-making around debt management.

Financial saving in this study is measured using the ratio of total saving to total expenditure. This ratio reflects the proportion of income individuals save relative to their total spending. The data indicates a range of saving behaviors among participants, with a minimum ratio of -1.00, a maximum ratio of 9.34, a mean ratio of 0.2681, and a standard deviation of 1.33620. On average, participants save a relatively small portion of their income, approximately 26.81%. This suggests that a significant number of participants might not be saving enough to meet their short-term or long-term financial goals. A negative ratio of minimum (-1.0) indicated that some participants spend more than they earn, potentially accumulating debt. This could be due to various factors such as low income, unexpected expenses, or poor budgeting habits. The high standard deviation of 1.33620 highlights a significant variation in saving habits across the participants.

Financial spending behavior was assessed in this study using the ratio of total debt paid to total expenditures. It signifies a conscious effort to maintain a balanced budget and allocate funds towards essential expenses, savings, and discretionary spending, rather than being burdened by debt obligations. The data shows a range of spending behaviors, with a minimum ratio of 0.00, a maximum ratio of 4.9, a mean ratio of 0.514, and a standard deviation of 4.04215. The mean ratio of 0.514 suggests that, on average, individuals allocate approximately 51.4% of their total expenditures towards debt repayment. This indicates that a significant portion of participants' financial resources is spent on paying debts. However, the high standard deviation of 4.04215 highlights substantial variability around this mean, indicating that spending behaviors are widely dispersed across the sample.

**Table 2: Correlation Analysis**

| | | Informed Financial Decision | Financial Saving | Financial Spending Behavior |
|---|---|---|---|---|
| Informed Financial Decision | Pearson [32]Correlation | 1 | | |
| | Sig. [32](2-tailed) | | | |
| | N | 625 | | |
| Financial Decision | Pearson [32]Correlation | -.144** | 1 | |
| | Sig. [32](2-tailed) | .000 | | |
| | N | 625 | 625 | |
| Financial Saving | Pearson [32]Correlation | .021 | -.211** | 1 |

| | | | | |
|---|---|---|---|---|
| | Sig. [32](2-tailed) | .602 | .000 | |
| | N | 622 | 622 | 622 |
| Economic Wellbeing | Pearson [32]Correlation | .108** | .438** | -.186** |
| | Sig. [32](2-tailed) | .007 | .000 | .000 |
| | N | 625 | 625 | 622 |

**Source: Author (2025)**

The [2]correlation [2]between [2]Informed [2]Financial [2]Decision [2]and [2]Economic [2]Wellbeing, [2]a [2]weak [2]positive [2]correlation [2]of [2]0.108** [2]was [2]observed [2]in [2]Table [2]2. [2]The [2]significance [2]level [2]of [2]0.007 [2]suggests [2]that [2]this [2]correlation [2]is [2]statistically [2]significant, [2]implying [2]that [2]it [2]is [2]unlikely [2]to [2]have [2]occurred [2]by [2]chance [2]alone. [2]This [2]finding [2]underscores [2]the importance [2]of [2]financial [2]literacy [2]in [2]contributing [2]to [2]individuals' [2]economic [2]welfare.

A moderate positive correlation coefficient of 0.438** was found between Financial Saving and Economic Wellbeing. As individuals demonstrate higher levels of financial saving, their economic wellbeing tends to increase. The significance level of 0.000 underscores the robustness of this relationship.

On [2]the [2]other [2]hand, [2]the [2]correlation [2]between [2]Financial [2]Spending [2]Behavior [2]and [2]Economic Wellbeing is negative, with a coefficient of -0.186**. This indicates a weak but statistically [2]significant [2]inverse [2]relationship [2]between [2]spending behavior and economic wellbeing. This underscores the importance of responsible spending habits in maintaining financial stability and promoting economic wellbeing.

Table 3 presents the results of the regression model analysis.

**Table 3: Regression Model Results**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .451[a] | .203 | .200 | 1.24421 | 2.036 |
| a. Predictors: (Constant), Financial Spending Behaviour, Informed Financial Decision, Financial Saving | | | | | |
| b. Dependent Variable: Economic Wellbeing | | | | | |

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 244.387 | 3 | 81.462 | 52.622 | .000[b] |
| | Residual | 956.707 | 618 | 1.548 | | |
| | Total | 1201.094 | 621 | | | |
| a. Dependent Variable: Household economic wellbeing | | | | | | |
| b. Predictors: (Constant), Financial saving, Informed financial decision, Financial saving | | | | | | |

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 11.470 | 1.157 | | 9.917 | .000 |
| | Informed financial decision | .030 | .023 | .048 | 1.312 | .190 |
| | Financial Saving | .426 | .039 | .411 | 11.067 | .000 |
| | Financial spending behavior | -3.240 | 1.212 | -.098 | -2.673 | .008 |
| a. Dependent Variable: Household economic wellbeing | | | | | | |

**Source: Author (2025)**

The regression analysis revealed a moderate positive correlation (R = 0.451) between [3]financial [3]literacy [3]constructs [3](financial [3]spending [3]behavior, [3]informed [3]financial [3]decision, [3]and [3]financial [3]saving) and household economic wellbeing in Nairobi City County. Approximately 20.3% of the variance in economic wellbeing was explained by these constructs. The model, adjusted for complexity, suggested a collective influence on economic wellbeing. In the regression analysis, the model yielded a significant F-statistic (F = 52.622, $p < .001$), indicating that the predictors collectively contributed to explaining the variance in household economic wellbeing. According to the results in Table 3, the predicted equation is:

$Y = 11.470+0.030X_1+0.426X_2-3.240X_3$

Where; $\alpha$ is constant (intercept),

Y is Household economic wellbeing

$X_1$ is Informed financial decision

$X_2$ is financial spending behavior,

$X_3$ is financial saving

## VI. Conclusions

The study sought to answer what is the effect of informed financial decisions on economic wellbeing of households in Nairobi City County. Using the data provided, the study found a positive effect of informed financial decisions on economic wellbeing of households however, this effect was not statistically significant. This implied a need for households to enhance their informed financial decision-making regarding the cost of debt relative to total debt, potentially considering factors such as lender fees to acquire a debt to improve their overall economic wellbeing.

Further, the study also sought to answer what is the effect of financial savings on economic wellbeing of households in Nairobi City County. The findings revealed a significant positive effect, indicating that higher levels of savings relative to expenditure correlate with increased economic wellbeing. As households allocate more resources to savings, their overall wellbeing experiences a notable improvement. This underscores the importance of fostering saving habits to enhance economic resilience and prosperity among households in the region.

The study also sought to answer what is the effect of financial spending behavior on economic wellbeing of households in Nairobi City County. The study concluded that current financial spending behavior of household in Nairobi City County has significant negative effect on their wellbeing. A huge percentage of their spending is geared towards payment of debts instead of spending on essential expenses, investment or savings.

## VII. Recommendations

The study recommended there is need to design financial literacy programs that specifically target debt management. These programs should explain the Cost of Debt: Break down the true cost of debt, including interest rates, fees, and penalties so that households can make favorable financial decision

The study recommended that there is need to conduct workshops on financial literacy that emphasize the importance of saving and provide practical tips for effective saving practices. By educating households about the benefits of saving and offering guidance on how to save, these workshops can enhance financial literacy and promote saving habits.

The study recommended that there is need to offer financial literacy workshops and seminars focused on budgeting skills and prudent spending habits to enhance financial spending behavior. These sessions can educate households on the importance of prioritizing essential expenses, investing, and saving, while also providing practical tips for managing spending effectively.

There is need for Central Bank of Kenya and SASRA to come up with regulations that require lenders to clearly disclose the total cost of debt, including interest rates, fees, and penalties, in a standardized format. This ensures transparency and empowers borrowers to make informed comparisons.

The study recommended that there is need to advocate for policies that improve access to financial services and products, coupled with initiatives to enhance financial literacy. By ensuring that households have access to basic financial services and providing education on how to use them effectively, policymakers can empower individuals to make informed financial decisions, including saving.

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