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**DETERMINANTS OF A SAVING CULTURE IN UNIT TRUSTS AMONG THE YOUNG  
ADULTS IN NAIROBI COUNTY, KENYA.**

**MUSYOKA, MERCY MWELU**

**MCOM 144853**



**A THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENTS FOR THE DEGREE OF MASTER OF COMMERCE**

**AT STRATHMORE UNIVERSITY.**

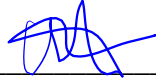
**2024**

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## ABSTRACT

This study seeks to establish determinants of the adoption of unit trusts for savings among young adults aged 18-24 in Nairobi County, Kenya. The specific objectives include: to determine the influence of financial literacy; parental socialisation, peer influence, and level of income, on the development of a savings culture in unit trusts among the young adults aged 18-24 in Nairobi County, Kenya. This study seeks to address a number of knowledge gaps. Firstly, there have been few studies carried out on the determinants a savings culture in unit trusts among the young adults in Kenya. Secondly, there are studies which have been conducted on credit products rather than on savings which has rendered their findings completely inappropriate for this study given the different circumstances surrounding credit products. Thirdly, there has been limited research on the factors that influence the uptake of unit trusts for savings. The study was underpinned by the Consumer Socialisation Theory. The study applied a descriptive correlational research design since it purposed to arrange and explain the various attributes of the study items. The target population of the study was all the 36 licensed trust funds in Kenya. This study used questionnaires for collecting data so as to enable the collection of more thorough inquiries and because it offered the convenience of accessing individuals who have busy schedules. This study applied a 5-point Likert Scale then the Statistical Package for Social Sciences (SPSS) (version 20) was used to carry out descriptive and inferential statistical analysis. According to the results, the young adults have gained financial numeracy and financial knowledge which has improved their financial planning. As youth, they have trained in budgeting which has enhanced their debt management and boosted their ability to save. Their investment or savings practices reflect their level of financial literacy. The young adults have experienced challenges making enough revenue to save. They tend to have impulsive consumption behaviours, to alternate between brands, however, and are also knowledgeable about financial management. The study recommended that the Government needs to come up with funding initiatives for young adults so as to enable them acquire savings products such as unit trust funds. The managers of unit trust funds should come up with promotional strategies that reward individuals for referring others to acquire their products among the young adults since they tend to follow the recommendations of their peers. Given the dearth of local research on the adoption of unit trust funds in general, this study will set the tone for other local researchers and scholars to delve into this category of financial products so as to build on the body of knowledge. The study was limited by individuals who were unwilling to provide information; the 36 licensed unit trust funds, and the four determinants of adoption of unit trust savings.

**Key words:** Financial Literacy; Level of Income; Parental Socialisation; Peer Influence; Saving Culture; Strategic Determinants; Unit Trusts; and Young Adults Aged 18-24.

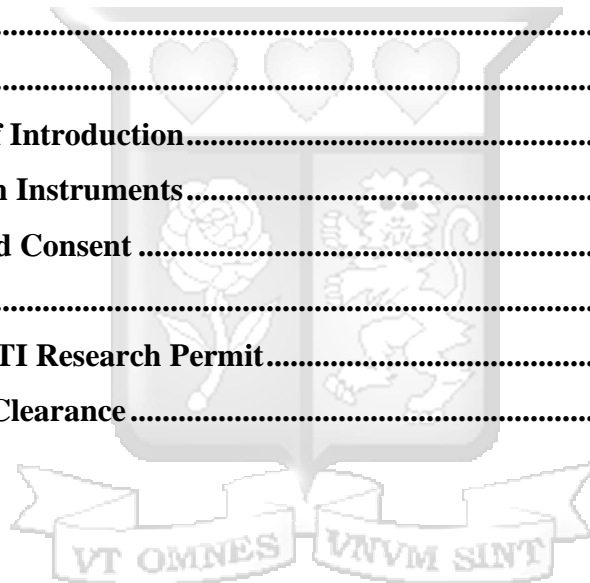
## TABLE OF CONTENTS

<b>DECLARATION</b> .....	<b>ii</b>
<b>ABSTRACT</b> .....	<b>iii</b>
<b>TABLE OF CONTENTS</b> .....	<b>iv</b>
<b>LIST OF FIGURES</b> .....	<b>viii</b>
<b>LIST OF TABLES</b> .....	<b>ix</b>
<b>LIST OF ABBREVIATIONS</b> .....	<b>x</b>
<b>DEDICATION</b> .....	<b>xi</b>
<b>DEFINITION OF TERMS</b> .....	<b>xii</b>
<b>CHAPTER ONE</b> .....	<b>2</b>
<b>INTRODUCTION</b> .....	<b>2</b>
<b>1.1 Background of the Study</b> .....	<b>2</b>
1.1.1 Savings Culture in Unit Trusts.....	5
1.1.2 Determinants of Savings Culture.....	6
1.1.3 Young Adults in Nairobi County.....	7
1.1.4 Unit Trust Funds in Nairobi County.....	9
<b>1.2 Problem Statement</b> .....	<b>10</b>
<b>1.3 Research Objectives</b> .....	<b>12</b>
1.3.1 General Objective.....	12
1.3.2 Specific Objectives.....	13
<b>1.4 Research Questions</b> .....	<b>13</b>
<b>1.5 Scope of the Study</b> .....	<b>13</b>
<b>1.6 Significance of the Study</b> .....	<b>14</b>
1.6.1 Policy Makers .....	14
1.6.2 Sector Players.....	14
1.6.3 The Young Adults and their Parents.....	14
1.6.4 Researchers and Scholars.....	15
<b>1.8 Chapter Summary</b> .....	<b>15</b>
<b>CHAPTER TWO</b> .....	<b>16</b>

<b>LITERATURE REVIEW .....</b>	<b>16</b>
<b>2.1 Introduction.....</b>	<b>16</b>
<b>2.2 Theoretical Review.....</b>	<b>16</b>
2.2.1 Consumer Socialisation Theory .....	16
<b>2.3 Empirical Review .....</b>	<b>18</b>
2.3.1 Financial Literacy and Saving Culture in Unit Trusts among young adults.....	18
2.3.2 Parental Socialisation and Saving Culture in Unit Trusts among the young adults ....	22
2.3.3 Peer Influence and Saving Culture in Unit Trusts among the young adults .....	26
2.3.4 Level of Income and Saving Culture in Unit Trusts among the young adults.....	29
<b>2.4 Research Gaps.....</b>	<b>33</b>
<b>2.5 Conceptual Framework.....</b>	<b>42</b>
2.5.1 Operationalisation of Variables .....	43
<b>2.6 Summary of Literature Reviewed .....</b>	<b>45</b>
<b>2.7 Chapter Summary .....</b>	<b>46</b>
<b>CHAPTER THREE .....</b>	<b>47</b>
<b>RESEARCH METHODOLOGY .....</b>	<b>47</b>
<b>3.1 Introduction.....</b>	<b>47</b>
<b>3.2 Research Philosophy.....</b>	<b>47</b>
<b>3.3 Research Design .....</b>	<b>48</b>
<b>3.4 Target Population and Sampling Design .....</b>	<b>48</b>
<b>3.5 Data Collection Methods.....</b>	<b>48</b>
3.5.1 Content and Criterion Validity Results.....	50
3.5.2 Construct Validity .....	50
3.5.3 Reliability of Pilot Test Results .....	53
<b>3.6 Data Analysis.....</b>	<b>54</b>
<b>3.7 Diagnostic Tests.....</b>	<b>55</b>
3.7.1 Multicollinearity Test.....	55
3.7.2 Normality Test .....	56
3.7.3 Heteroscedasticity Test .....	57

3.7.4 Linearity Test .....	57
<b>3.8 Ethical Considerations .....</b>	<b>58</b>
<b>3.9 Chapter Summary .....</b>	<b>58</b>
<b>CHAPTER FOUR.....</b>	<b>59</b>
<b>PRESENTATION OF RESULTS .....</b>	<b>59</b>
<b>4.1 Introduction.....</b>	<b>59</b>
<b>4.2 Response Rate.....</b>	<b>59</b>
<b>4.3 Demographic Characteristics of the Respondents.....</b>	<b>59</b>
<b>4.4 Descriptive Analyses .....</b>	<b>61</b>
4.4.1 Financial Literacy and Savings Culture in Unit Trusts amongst Young Adults.....	61
4.4.2 Parental Socialisation and Savings Culture in Unit Trusts amongst Young Adults ....	63
4.4.3 Peer Influence and Savings Culture in Unit Trusts amongst Young Adults.....	64
4.4.4 Level of Income and Savings Culture in Unit Trusts amongst Young Adults .....	66
4.4.5 Savings Culture in Unit Trusts amongst Young Adults .....	68
<b>4.5 Diagnostic Test Results.....</b>	<b>71</b>
4.5.1 Multicollinearity Test.....	71
4.5.2 Normality Test .....	71
4.5.3 Heteroscedasticity Test.....	73
4.5.4 Linearity Test.....	73
<b>4.6 Inferential Analyses .....</b>	<b>75</b>
4.6.1 Correlation Analysis .....	75
4.6.2 Regression Analysis.....	76
<b>4.7 Chapter Summary .....</b>	<b>78</b>
<b>CHAPTER FIVE .....</b>	<b>80</b>
<b>DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS.....</b>	<b>80</b>
<b>5.1 Introduction.....</b>	<b>80</b>
<b>5.2 Summary of Main Results.....</b>	<b>80</b>
<b>5.3 Discussion of Results.....</b>	<b>81</b>
5.3.1 Financial Literacy and Savings Culture in Unit Trusts amongst Young Adults.....	81

5.3.2 Parental Socialisation and Savings Culture in Unit Trusts amongst Young Adults ....	81
5.3.3 Peer Influence and Savings Culture in Unit Trusts amongst Young Adults.....	82
5.3.4 Level of Income and Savings Culture in Unit Trusts amongst Young Adults .....	83
<b>5.4 Conclusions.....</b>	<b>84</b>
<b>5.5 Recommendations.....</b>	<b>85</b>
5.5.1 Policy Recommendations.....	85
5.5.2 Managerial Recommendations.....	86
5.5.3 Implications for Academia and Research .....	86
<b>5.6 Suggestions for Further Studies .....</b>	<b>86</b>
<b>5.7 Limitations of the Study .....</b>	<b>87</b>
<b>REFERENCES.....</b>	<b>88</b>
<b>APPENDICES.....</b>	<b>109</b>
<b>Appendix 1: Letter of Introduction.....</b>	<b>109</b>
<b>Appendix 2: Research Instruments.....</b>	<b>110</b>
<b>Appendix 3: Informed Consent .....</b>	<b>116</b>
<b>Appendix 4: Budget .....</b>	<b>118</b>
<b>Appendix 5: NACOSTI Research Permit.....</b>	<b>119</b>
<b>Appendix 6: Ethical Clearance.....</b>	<b>120</b>



**LIST OF FIGURES**

Figure 2. 1: Conceptual Framework ..... 43



## LIST OF TABLES

Table 2. 1: Operationalisation of Variables .....	44
Table 2. 2: Literature Map .....	<b>Error! Bookmark not defined.</b>
Table 4. 1: Response Rate.....	59
Table 4. 2: Demographic Characteristics of the Respondents .....	61
Table 4. 3: Descriptive Statistics of Financial Literacy for Young Adults.....	62
Table 4. 4: Descriptive Statistics of Parental Socialisation of Young Adults .....	64
Table 4. 5: Descriptive Statistics of Peer Influence of Young Adults .....	66
Table 4. 6: Descriptive Statistics of Level of Income for Young Adults .....	68
Table 4. 7: Descriptive Statistics of Savings Culture of Young Adults.....	70
Table 4. 8: Multicollinearity Test Results.....	71
Table 4. 9: Normality Test Results for Financial Literacy .....	72
Table 4. 10: Normality Test Results for Parental Socialisation.....	72
Table 4. 11: Normality Test Results for Peer Influence .....	72
Table 4. 12: Normality Test Results for Level of Income .....	73
Table 4. 13: Results of the Heteroscedasticity Test.....	73
Table 4. 14: Linearity Test results for Financial Literacy .....	74
Table 4. 15: Linearity Test results for Parental Socialisation.....	74
Table 4. 16: Linearity Test results for Peer Influence .....	74
Table 4. 17: Linearity Test results for Level of Income .....	75
Table 4. 18: Pearson Correlation Coefficients .....	76
Table 4. 19: Multiple Regression Model Summary .....	77
Table 4. 20: ANOVA Statistics .....	77
Table 4. 21: Beta Coefficients .....	78

## LIST OF ABBREVIATIONS

<b>CPA</b>	Chartered Public Accountancy
<b>CSR</b>	Corporate Social Responsibility
<b>MMF</b>	Money Market Funds
<b>SACCOs</b>	Saving and Credit Co-Operative Societies
<b>VSLAs</b>	Village Savings and Loan Associations
<b>YEDF</b>	Youth Enterprise Development Fund



## DEDICATION

I would like to dedicate this thesis to Abba Father my creator, my strong pillar, my source of wisdom, knowledge and understanding through his wings only have I soared. To my late parents Mr and Mrs Musyoka who were my source of inspiration before your demise in the course of my program. My husband Dr. Waruingi, whose encouragement has made sure that I give it all to finish what I started. To my children John, Shiku, and Chege who have been affected in every way possible by this quest – Thank you. My love for you all cannot be quantified.



## DEFINITION OF TERMS

**Financial Literacy;** The capability by an individual of applying skills and knowledge in effective financial resource management so as lead to the attainment of lifetime financial wellbeing (Lyons & Kass-Hanna, 2021).

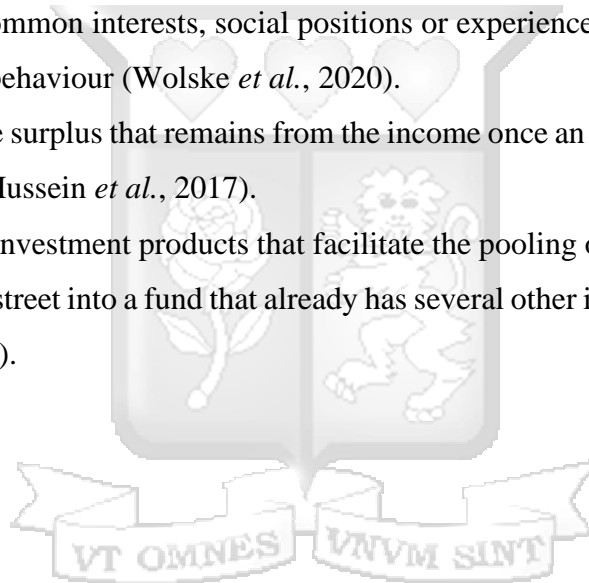
**Level of Income:** The amount of income earned by an individual or organisation in a given period of time when compared to the average income for a specific job classification (Fantom & Serajuddin, 2016).

**Parental Socialisation** refers to the configurations of practices adopted by parents in order to influence the behaviour and attitudes of their children (Axpe *et al.*, 2019).

**Peer Influence** refers to the direct or indirect pressure applied by members of a particular social group who have common interests, social positions or experiences on an individual to alter their values, beliefs and behaviour (Wolske *et al.*, 2020).

**Savings** refer to the surplus that remains from the income once an individual or organization has spent or consumed (Hussein *et al.*, 2017).

**Unit Trusts** represent investment products that facilitate the pooling of financial resources by a regular individual on the street into a fund that already has several other investors seeking common objectives (Tsaurai, 2015).



# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

The world has become increasingly competitive, and individuals and organisations alike are compelled to apply prudent usage of the scarce resources that they have in order to survive and thrive. One way in which this is possible is through savings. According to Hussein *et al.* (2017), savings refer to the surplus that remains from the income once an individual or organization has spent or consumed. In order for savings to be utilised appropriately, they need to be channelled to the right savings and investment instruments such as unit trusts. Cheruiyot (2021) established that unit trusts enable funds from savers to be invested in a portfolio of bonds, stocks and a variety of other securities which guarantee dividends and enhanced returns given the relatively higher yields that they earn when compared with other savings products. Tsaurai (2015) explained that unit trusts represent investment products that facilitate the pooling of financial resources by a regular individual on the street into a fund that already has several other investors seeking common objectives. These pooled funds are then invested by fund managers in a variety of assets including Government bonds, Treasury bills, commercial papers and financial derivatives.

The determinants of the adoption of unit trusts are critical to the service providers as well as the consumers of savings products. Kubasu and Ayuo (2014) studied the role of financial literacy in promoting children and youth savings accounts in commercial banks in Kenya and established that financial literacy empowers children and the youth to make informed decisions regarding their use of financial resources including how to save and how to exercise thriftiness. The study found that children and youth who had participated in formal financial education were less likely to fall into debt and were more likely to pursue the acquisition of savings products. This was consistent with the findings of Brown *et al.* (2016). However, there was a number of inconsistencies including the assertion that there is an almost assured association between financial literacy and the acquisition of savings products since there are studies (Indratirta *et al.*, 2023) which found that many youth who have attained financial independence and are financially literate tend to adopt high

consumption lifestyles which make it difficult for them to save. The main weakness in this study was the focus on commercial banks rather than on unit trusts and the expanded cohort of both children and youth.

Khalisharani et al. (2022) examined the influence of parental socialisation and financial literacy on Malaysian university students' financial behaviour and found that students who had been socialised effectively by the parents during their formative years were more inclined to make financially responsible choices such as budgeting and saving which shape them into more grounded adults in the future. Thus, parental socialisation was found to be a critical determinant of the adoption of savings by such individuals. The finding that parents are more participatory in determining their children's financial decisions was inconsistent with the findings of Arrondel *et al.* (2021) who established that parents in many western European countries are less inclined to be involved in the financial decisions of their children given that they are more individualistic in nature. The study's concentration on the students in one university meant that the findings are unlikely to apply to all youth in other institutions which is a point of weakness.

Savings enable one to be able to attend to emergencies and unforeseen contingencies. Aidoo-Mensah (2018) posited that through household savings national economies are able to thrive because the savings, which are deposited in banks, are availed to investors through credit, which in turn helps to create wealth through production. Thus, whenever there are economic shocks, households are unable to save owing to diminished earnings, which in turn denies credit to investors and results in retardation in a country's economic growth. In a study by the Organisation for Economic Co-operation and Development (OECD) (2020) on advancing the digital financial inclusion of youth, it was established that the most popular savings instrument for youth across the world is a current bank account followed by savings accounts with more than 90% of the youth having access to savings accounts in Austria, Canada and Estonia. The study further found that there was an increasing propensity for the youth in East Asia, Europe and Central Asia to access savings products through the use of the internet and mobile phones owing to the increased internet and mobile penetration. However, the study also found that data on savings in other countries in the regions investigated was not available. The study's relevance is founded on the focus on

savings and the fact that Nairobi is one of the cities in Africa where global trends are quickly replicated.

The current study focuses on savings culture in unit trust due to their associated importance of diversification which reduces risks. It focuses on young adults aged 18-24 years old as they are the new and next cohort of employees in the labour market. Thus, understanding their financial capabilities and literacy can better inform employers on what type of workforce to expect to design effective policies for managing them as employees. Besides, studying the young population is important since they exhibit insatiable spending habits accompanied with a poor savings culture (Munanda, 2017).

Accordingly, the young adults prioritize spending on material commodities to elevate their image and social rank among peers and to keep self-imposed status. Studying savings culture is equally important since it offers adequate insights on the financial capabilities and literacy of young persons. Understandably, saving is the first step towards financial freedom and independence. Thus, assessing the concept of saving culture in youths is important to offer insights on how youths can be guided to embrace a saving culture and invest their savings to realize financial liberation and autonomy. With growing preferences for other tools of saving besides traditional banking methods, Unit Trusts are slowly emerging as people's favourites. Hence, they can be effective saving avenues for young adults as well. Their importance as saving tools manifests in their ability to offer professional fund management, investment security, attractive returns, investment diversification, and liquidity (Understanding Unit Trust Funds, 2024). They also offer access to broad investment assets that the young population can consider to diversify income sources to realise financial autonomy and freedom (Understanding Unit Trust Funds, 2024). Taking this into considering, it is apparent that attractive Unit Funds with outstanding returns/dividends can encourage a saving culture among young adults as they will provide an avenue for making an extra income to supplement their salaries. This demonstrates the motivation for studying savings in unit trusts among the 18-24 year olds.

### 1.1.1 Savings Culture in Unit Trusts

Research on savings culture has been conducted in a very wide range of perspectives and because of this, majority of the studies have knowledge gaps. Hobson and Goldin (2015) did not identify the specific countries making its findings imprecise. This study is relevant since it addresses challenges faced by youths in saving in low middle-income countries, which Kenya is a member. Brown *et al.* (2021) focused on health-related measures and the extent to which health is a determinant of savings, excluding other causes which is a conceptual gap. Additionally, the assertion that health can be a critical motive for savings amongst individuals in general is one that does not hold when one considers the young adults who are unlikely to have health concerns as motivators for saving. Dirar *et al.* (2017) was limited in its institutional focus to saving and credit co-operative societies (SACCOs) whose characteristics are different from unit trusts and it was conducted in a different geographical region. Given that the membership in SACCOs is primarily taken up by employed individuals who are married with children (Daud, 2015), it is unlikely that they will be from the 18-24 cohort that is being studied in the current study which is a point of inconsistency.

Abrar *et al.* (2021) was limited by its purchase intention rather than on saving culture; its focus on a wider target population that featured generation Y who are much older than the 18-24-year-old cohort; and its different geographical context. Whilst the focus on environmental conservation is a trendy one, the practical reality of getting young adults to focus on it is a hard one to sell owing to the fact that the majority of this cohort, particularly in developing countries, are too busy trying to make ends meet or start a career to be concerned about the environment. Annamalah *et al.* (2019) was premised on investors rather than on young adults which was a contextual gap and it was carried out in a different geographical region. The study's inability to establish proof of a statistical relationship between investment return and revenue, and investment behaviour was a point of inconsistency. Pangestu and Karnadi (2020) had a different geographical context of Indonesia rather than Kenya since Indonesia is more developed than Kenya and the financial circumstances of the youth in the two countries are very different thereby making the findings from the study unsuited to the present study. Further, the focus on materialism presents a

conceptual gap since it is beyond the scope of the present study and any resultant findings are not useful as a consequence.

Mwobobia (2022) only focused on financial literacy as a determinant of savings culture. However, it is relevant because it also dwelt on savings culture among the youth in Nairobi County and the focus on financial literacy is also aligned with this study since it is one of the independent variables. Obara (2015) addressed heuristic biases on investment rather than determinants of savings which is a conceptual gap. The finding that fund managers are overconfident in their investment decision is not borne out extant literature given the adverse effects of negative investor sentiment. Wangari (2017) has an expanded scope that covered five countries which presented a contextual gap. The finding that youth in the five countries are image conscious and spend half of their income on personal care products is debatable since there are youth who reside in rural areas who may be unaware of such products and so would not be affected by them.

### **1.1.2 Determinants of Savings Culture**

Studies on the determinants of savings culture also featured a number of gaps. Knapp, *et al.* (2017) was limited by its focus on young adults in the workplace instead of in any other settings including school which makes it too narrow in its discussion of savings culture and is likely to negate some of the findings as a result is a contextual gap; while its treatment of savings as just one strategy of incorporating young adults in the workplace rather than the main dependent variable presents a conceptual gap since it is investigating an inverse relationship to the one of the present study. Oriji *et al.* (2023) was limited by its lack of focus on saving culture, its different geographical context of Nigeria, and focus on formal education as an independent variable. Owusu *et al.* (2020) was also limited by its different geographical context of Ghana rather than Kenya.

The knowledge gaps in Musinguzi *et al.* (2020) included the different geographical context, the lack of focus on the 18-24 year old demographic, and the lack of focus on unit trusts as institutional contexts. Sengezener *et al.* (2020) was limited by its different geographical context, the extended target population of 15-35 rather than 18-24 year olds, and the lack of focus on unit trusts. The

main knowledge gaps in Irungu (2017) were the focus on professional foot ballers in general rather than the 18–24-year-old demographic, and the lack of focus on unit trusts as an institutional context.

### **1.1.3 Young Adults in Nairobi County**

According to the Kenya population census of 2019, the population of Nairobi County was 4,397,073 while the projected population by cohort indicated that the 20-24 cohort would be 563,019 in 2019, 428,923 in 2022, 413,949 in 2025, and 433,242 in 2025, representing 13%, 9%, 8%, and 9% of the total population, respectively (Nairobi City County, 2023). The 20-24 and the 25-29 were found to be the most dominant cohorts representing 12.87% and 13.27% of the total population, respectively (NCC, 2023). The 15-29 years cohort constitutes more than half of the County's workforce; however, the cohort experiences a wide variety of problems including HIV/AIDS, unintended pregnancies, unemployment, and drug abuse (NCC, 2023).

Research on determinants of savings amongst young adults in Kenya has generally been neglected with studies choosing to focus on employees (Muriithi, 2016), households (Musamali *et al.*, 2022; Arok, 2014), professionals (Irungu, 2017), and investments rather than savings (Kiai, 2021), demonstrating the clear knowledge gap that the study sought to address. Additionally, there have been many other studies that have focused on the generalised cohort of youth rather than the 18-24 year olds which has meant that the findings from these studies are misaligned with those of the present study. Young adults have also been negatively influenced by poor saving habits by parents who failed to learn good saving since young adults tend to model their financial behaviour (Owusu *et al.* (2022). Additionally, young adults experience difficulties raising sufficient income to save owing to the fact that many of them are either employed as casuals or they have impulsive spending habits (Pastor *et al.*, 2022). Further, young adults in many developing countries are hampered in their adoption of a savings culture by their lack of adequate financial literacy with only 25% of young adults with college degrees being able to respond correctly to pertaining to financial literacy (Scheresberg, 2013).

Whilst saving has become increasingly difficult due to tough economic circumstances, it is invariably harder for the youth owing to a number of factors such as lack of family responsibilities and low income. One critical demographic amongst the youth is the young adults aged 18-24. According to Schubert *et al.* (2017), the 18-24 cohort represents young adults who range from their late teens to the beginning of adulthood when most of the physiological developments that characterise adolescents are over and done with and they are now well adjusted with their physical sense of self, have a clear sexual identity have established a better capacity for abstract thinking, and have adopted a personal value system. Alshebami and Aldhyani (2022) found that Saudis in general have a low literacy level and lack self-control which have both contributed towards a poor saving culture among the youth. This study was limited by its different geographical context of Saudi Arabia, and the lack of focus on unit trusts.

Wahome (2020) studied financial inclusion rather than determinants of a savings culture which was a conceptual gap while its concentration in one particular segment of Nairobi was a contextual gap. Its finding that youth has been empowered by access to financing was inconsistent with the finding of Wanjohi (2020) who determined that many youths in this sector were constrained from accessing financing owing to information asymmetry, inability to meet collateral requirements, and interest rates. Ajayi and Ross (2017) found that young adults in Kenya within the 28-30 cohort had benefitted from free primary education which had ensured improved financial inclusion since 87% of them had acquired and used bank accounts, however, the study did not find any significant correlation between the free primary education and their financial capability implying that more advanced levels of education were critical towards enhanced financial capability for young adults. Mwobobia (2022) was limited by its concentration on the 15-17- and 25–34-year-old cohorts in addition to the 18–24-year-olds which meant that some of the findings were not aligned with those of the present study, and it was also not focused on trust funds as an institutional context. Munanda (2017) was focused on the banking sector rather than on trust funds, the limited scope of only one institution, the focus on the 25–40-year-olds cohort, and the different independent variables investigated were the key knowledge gaps identified in this study.

#### 1.1.4 Unit Trust Funds in Nairobi County

Individuals who have some disposal income need viable methods of utilizing that income. The two most common applications of disposable income is investment and savings. Namu (2021) established that unit trusts provide opportunities for investors to earn interest income, capital gains and short-term wealth similar to a savings account. These interest income, capital gains or bonuses accrue whenever the unit trust fund increases in price or experiences positive growth during the holding period. A study by Kamil *et al.* (2018) found that the most common investment vehicles that are used by unit trusts include money market funds (MMF) which are funds invested in low risk, high-liquid short-term debt securities such as short-dated treasury bills, commercial papers and bank deposits in order to earn high interest returns. Additionally, equity funds which are funds used to acquire ownership in businesses that are traded in the securities market so as to accumulate superior returns through dividend payments or capital gains in the medium or long term, fixed income funds which are funds invested in short-term debt securities in order to provide acceptable interest returns and capital gains in investments such as corporate and treasury bonds as well as treasury bills, and balanced funds which are mutual funds invested in a diversified portfolio of fixed income securities and equities so as to reduce risks through hedging.

The subject of unit trusts, from a research standpoint has been neglected by local researchers and scholars with many of them focusing on savings in banks and microfinance products such as Mawia (2023), and Kanyiri (2014), leaving a critical gap that needs filling. , there has been limited research on the factors that influence the uptake of unit trusts for savings such as Ngugi (2014) which focused on factors influencing online shopping adoption, while Nyasani (2021) focused on factors influencing financial inclusion. Thus, it was envisioned that the study would go a long way in addressing this shortcoming.

Nairobi County has approximately 36 active and regulated unit trust funds including Dry Associates, Britam, Coop Trust, Zimele, Apollo, Cytonn, CIC, Genghis, Madison, ICEA Lion, Nabo, Alpha Africa, NCBA, Old Mutual, Equity, Amana, Madison, and Africa Alliance (Guguyu, 2022). These unit trust typically charge an annual management fee ranging between 2 and 2.5

percent in addition to an initial fee depending on the product. Guguyu (2022) reported that according to the first quarterly statistical bulletin of the Capital Markets Authority (CMA) off 2022, there was considerable increment in the investment in pooled funds in Kenya from KShs. 55.7 billion in 2017 to KShs. 140.6 billion in 2022 as many Kenyans shifted from investing in the Nairobi Securities Exchange (NSE). Investments in unit trusts can start from as low as KShs. 1,000 and are overseen by a licensed fund manager, a custodian and a trustee who are responsible for ensuing relatively safe investments in diversified investment financial assets.

Based on the aforementioned, the study seeks to address a number of knowledge gaps including contextual gaps such as studies which have been focused on different institutional contexts rather than on trust funds such as Musinguzi *et al.* (2020), Irungu (2017) and Munanda (2017); different geographical contexts such as Alshebami and Aldhyani (2022), Cagnin and Nicolas (2022), and Kamil *et al.* (2018); different cohorts other than the 18-24 year olds such as Hobson and Goldin (2015), Abrar *et al.* (2021), and Pangestu and Karnadi (2020); as well as conceptual gaps such as a lack of focus on savings culture such as Pangestu and Karnadi (2020), and Sengezener *et al.* (2020).

## **1.2 Problem Statement**

There have been significant developments in the uptake of savings products in unit trusts across the world including the acquisition of unit trust *waqf* among Islamic individuals in Malaysia as a form of non-profit unit trusts (Sulaiman *et al.*, 2019); African investors tended to invest more in equities than in unit trusts although the amounts invested and saved in the latter were higher than that in the former while unit trusts tended to be more popular among older investors than younger ones (Kellerman *et al.*, 2020); and in the United States, investment in the unit trusts remained constant at USD. 94 billion between 1998 and 2015 mainly due to the lack of active management and trading of the funds (Investment Company Institute, 2016). In Kenya, the uptake of unit trusts as vehicles for saving has been hampered by a number of challenges including stiff competition, lack of awareness amongst the majority of people about the merits of unit trusts, and the general level of financial constraints amongst entrepreneurs (Sang, 2017).

Young adults have also been negatively influenced by poor saving habits by parents who failed to learn good saving since young adults tend to model their financial behaviour (Owusu *et al.* (2022). Additionally, young adults experience difficulties raising sufficient income to save owing to the fact that many of them are either employed as casuals or they have impulsive spending habits (Pastor *et al.*, 2022). Further, young adults in many developing countries are hampered in their adoption of a savings culture by their lack of adequate financial literacy with only 25% of young adults with college degrees being able to respond correctly to pertaining to financial literacy (Scheresberg, 2013).

An assessment of the literature has shown that studies such as Pangestu and Karnadi (2020) and Oriji *et al.* (2023) have been limited by their different geographical context and the focus on materialism which is not part of the present study. Abrar *et al.* (2021) was limited by its purchase intention rather than on saving culture; its focus on a wider target population that featured generation Y who are much older than the 18–24-year-old cohort; and its different geographical context. Knapp, *et al.* (2017) was limited by its focus on young adults in the workplace instead of in general settings, and its treatment of savings as just one strategy of incorporating young adults in the workplace rather than the main dependent variable. Mwobobia (2022) and Munanda (2017) focused on the banking sector rather than on trust funds, the limited scope of only one institution, the focus on the 25–40-year-olds cohort, and the different independent variables investigated were the key knowledge gaps identified in this study.

This study seeks to address a number of knowledge gaps. There have been few studies carried out on the determinants of savings culture in unit trusts among the young adults in Kenya. Most of the studies conducted on savings have dwelt on SACCOs as institutional contexts such as Mawia (2023), and Kanyiri (2014); while some studies have been conducted on different cohorts such as women and more mature individuals such as Kepha (2018) and Nadebu (2020). Given the different attributes of SACCOs when compared to unit trusts, their findings are not suitable to this study. Additionally, the different cohorts that have been studied displayed very different attitudes towards savings than the young adults aged 18-24 years. Furthermore, there are studies such as Musha (2014) and Waruru (2010) that have been conducted on credit products rather than on savings

which has rendered their findings completely unsuitable for this study given the different circumstances surrounding credit products. Finally, there has been limited research on the factors that influence the uptake of unit trusts for savings such as Ngugi (2014) which focused on factors influencing online shopping adoption, while Nyasani (2021) focused on factors influencing financial inclusion.

The spending culture among Kenyan youths further raises concerns about their financial knowledge and saving capabilities. A 2017 survey report involving Sub Saharan countries including Kenya disclosed that youths in the country care so much about their image and material things (Wangari, 2017). Notably, they spend billions annually on personal care products and material products to elevate their image and self-imposed social statuses. Whilst this emphasizes the growing culture of materialism among Kenyan young population, it also raises concerns on their saving culture considering majority are unemployed and rely on parents or guardians for financial support. A report by Amadala (2021) attributes the poor saving culture among Kenyan young adults to their high spending power inspired by the nation's technological advancement and the youth's close tracking of international trends. Amadala (2021) further identifies Kenya as having the least saving population in East Africa, and a saving rate of 12 percent, which is below the continents average of 17 percent. Thus, taking into considering such worrying spending habits and a savings culture, the current study sought to examine and establish the determinants of a savings culture in Unit Trusts among the country's young population. This study seeks to address the aforementioned knowledge gaps by shedding new light into challenges experienced by the young adults in saving in unit trusts and proposing solutions.

### **1.3 Research Objectives**

#### **1.3.1 General Objective**

To establish the determinants of a saving culture in unit trusts among young adults in Nairobi County, Kenya.

### 1.3.2 Specific Objectives

- i. To determine the effect of financial literacy on the uptake of a savings culture in unit trusts among young adults in Nairobi, Kenya.
- ii. To determine the effect of parental socialization on the uptake of a savings culture in unit trusts among young adults in Nairobi, Kenya.
- iii. To determine effect of peer influence on the uptake of a savings culture in unit trusts among young adults in Nairobi, Kenya.
- iv. To determine the effect of the level of income on the uptake of a savings culture in unit trusts among young adults in Nairobi, Kenya

### 1.4 Research Questions

- i. What is the influence of financial literacy on the uptake of a savings culture in unit trusts among young adults in Kenya?
- ii. How does parental socialization impact on the uptake of a savings culture in unit trusts among young adults in Kenya?
- iii. What is the extent of peer influence on the uptake of a savings culture in unit trusts among young adults in Kenya?
- iv. How does the level of income influence the uptake of a savings culture in unit trusts among young adults in Kenya?

### 1.5 Scope of the Study

The study examined the determinants of a savings culture in unit trusts among the young adults in Nairobi County, Kenya. This involved an investigation of the relationships between each of the independent variables, namely, financial literacy, parental socialisation, peer influence, and level of income and the dependent variable, savings culture in unit trust among the young adults. Whilst this forms the concept scope, the study of these concepts were limited to Kenyan youths aged between 18 to 24 years old. Narrowing down the contextual scope, the study entailed 25-unit trust funds purposively selected from a target population of 36 licensed unit trust funds owing to the

confirmed accessibility to potential respondents which comprised the unit of analysis. The unit of observation comprised 150 young adults who included 6 young adults per unit trusts that were selected on the basis of ready availability of email contacts to enable easier data collection. The methodological scope comprised a positivist research philosophy, descriptive cross-sectional research design, questionnaires for collecting primary data, and SPSS for conducting analysis. The time scope was four months, with the data collection taking place between February 2024 and May 2024.

## **1.6 Significance of the Study**

This study will be significant to a number of parties as explained below.

### **1.6.1 Policy Makers**

The Government through the regulator of unit trusts, Capital Markets Authority of Kenya, will be interested in the findings of this study, particular in the manner in which policies can be made in enhancing saving amongst the youth, in general, and the young adults in particular.

### **1.6.2 Sector Players**

Given that the institutional context of this study is unit trusts, it is envisioned that the findings of the study provided new insights into the determinants of saving culture among the young adults in unit trusts.

### **1.6.3 The Young Adults and their Parents**

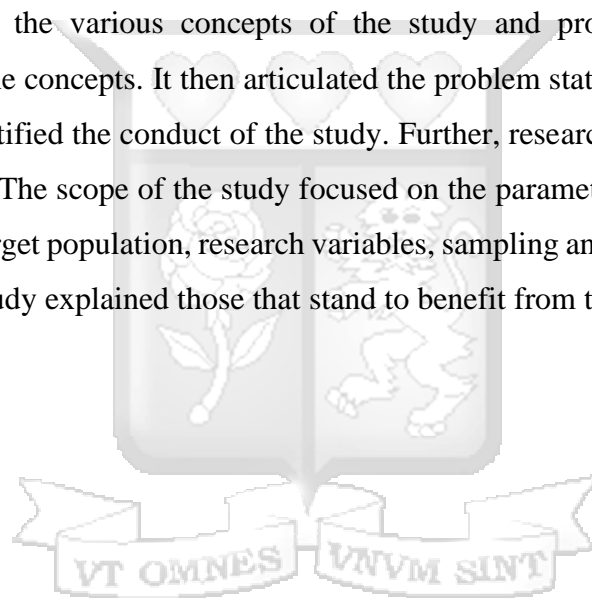
The study will also be significant to the young adults regarding the manner in which they can develop better savings habits particularly introducing unit trusts as vehicles for saving to those who are not aware of them. Additionally, given that many of the 18- to 24-year-old young adults cohort are still either living with their parents or consulting with their parents in financial decisions, the results will also be of interest to the parents.

#### **1.6.4 Researchers and Scholars**

The study will be significant to researchers and scholars in Kenya given the identified gaps in the existing body of knowledge in savings among the young adults and unit trusts. More specifically, the study has shown that most of the local research on savings culture has been conducted on institutional contexts that are different from unit trust which is a gap that needs to be pursued by researchers and scholars. Additionally, a significant portion of the available literature has been done on cohorts other than the 18–24-year-olds which is another gap that needs to be filled.

#### **1.8 Chapter Summary**

This chapter introduced the various concepts of the study and provided some background information on each of the concepts. It then articulated the problem statement which captured the main issues that have justified the conduct of the study. Further, research objectives and research questions were outlined. The scope of the study focused on the parameters that defined the study including the location, target population, research variables, sampling and period of study. Finally, the significance of the study explained those that stand to benefit from the study.



## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

The purpose of this chapter is to review the literature on the factors influencing the adoption of unit trusts for savings among young adults in Nairobi County, Kenya. The chapter is organized as follows: Section 2.2 discusses theoretical review. Section 2.3 discusses empirical review, 2.4 explains the research gaps. 2.5 covers the conceptual framework, and 2.6 the summary of the literature review. The literature review includes the theoretical review, empirical review, research gaps, conceptual framework, and summary of literature review.

#### 2.2 Theoretical Review

A theory is a supposition about how a phenomenon works (Abend, 2008) or an explanation how things are the way they are (Stewart, *et al.*, 2011). A theoretical review is a structure that offers a path that a given research that based a formal theory developed through the application of an understandable articulation of particular phenomena (Grant & Osanloo, 2016). According to Sudhana *et al.* (2019), a multi-theoretical framework enables a more detailed, thorough, and holistic understanding of the underlying constructs in a study by articulating broader interconnections amongst the constructs and linking them to appropriate theories which would not be possible through the use of a single theory. The following sections will cover the theory that seeks to explain the main purpose of the research.

##### 2.2.1 Consumer Socialisation Theory

This Theory was proposed by Scott Ward in 1974 (Ward, 1974) when he posited that children's learning regarding interactions that occur in the marketplace, the processes involved in the learning, and the progressive alterations that happen in content and learning are determinants of future consumer behaviour. Consumer socialisation refers to processes whereby skills, attitudes,

and knowledge are acquired by young people so as to influence the consumption behaviour in the marketplace (Ward, 1974).

Moreira, *et al.* (2018) opined that the consumer socialisation theory deals with how social interactions within unique cultural contexts including the learning processes inform decisions taken by young people in the marketplace such as consumption capacities, dispositions and practices. Additionally, in the course of time changes occur in social roles that provide a foundation for the creation of new learning, consumption behaviours and identities that ultimately lead to the socialisation of the consumer. However, this contrasted with Moschis and Smith (1985) who posited that the Consumer Socialisation Theory assumes that the key driver of peoples' thought patterns and actions is the interactions with socialisation agents and cognitive psychological changes. Moschis and Smith (1985) also added that the theory has been criticised as not considering the adverse influence of advertising on youth consumption behaviour where undesirable socialisation manifests in the form of materialistic values and impulse-driven choices.

As far as the practical application of the theory is concerned, Shankar *et al.* (2022) applied the Consumer Socialisation Theory in explaining the financial well-being of the young adults in India where the consumption behaviour of the young adults has been positively influenced by their skills, information and attitudes which was consistent with O'Guinn and Shrum (1997); while NorAzman and Muhammed (2017) used the theory by presenting a discussion on its effectiveness in explaining the acquisition of financial behaviour of children. This was similar to the findings of Brown (2006) who attributed psychological factors as key in explaining the acquisition of financial behaviour in children since children perceive adults, particularly teachers and parents, as figures of authority who are endowed with superior intellect and knowledge; while Macionis and Linda (2011) maintained that consumer socialisation stems from cultural belief patterns which influence the decision making of members of a given society, and given that families are sub-sets of these societies then the values ingrained in children from their parents socialise them to acquire certain behaviours including those that are financial in nature.

This theory is aligned with all the study variables in a number of ways. Firstly, financial literacy is one of the facets of the social learning processes that young people experience, which later inform consumption or saving behaviour. Secondly, parental socialisation is one of the dimensions of consumer socialisation whereby parents act as change agents for their children through the inculcation of skills, attitudes and knowledge related to consumption and saving. Thirdly, peer influence is another dimension of consumer socialisation since peers also act as change agents in young people by acting as reference points to information decisions related to consumption and saving. Fourthly, income levels are part of the sociodemographic factors that inform the choices that will be taken on consumption and saving by the youth as part of consumer socialisation. Lastly, saving culture is part of the cultural contexts that inform decisions taken by the youth on saving.

## **2.3 Empirical Review**

### **2.3.1 Financial Literacy and Saving Culture in Unit Trusts among young adults**

Financial literacy refers to the endowment of individuals with knowledge, information and awareness related to financial products, institutions, and concepts such as savings, inflation, borrowing, investment, risk, returns, as the associated practical application of these concepts (Noor *et al.*, 2020). Lyons and Kass-Hanna (2021) defined financial literacy as the capability by an individual of applying skills and knowledge in effective financial resource management so as lead to the attainment of lifetime financial wellbeing. Financial literacy enables individuals to make sound financial decisions and ensure the security of their economic futures through the acquisition and usage of the right financial products (Bongomin *et al.*, 2020). Thus, financial literacy facilitates the improvement of individuals' ability to save and the entrenchment of a savings culture through better management of financial attitudes, financial behaviours and materialism (Pangetsu *et al.*, 2019). A study by Pangestu and Kanardi (2020) established that financial literacy empowers the young adults to better understand financial concepts and make sound financial decisions including savings and investment and are more aware of the need for saving. Shankar *et al.* (2022) recognised that financial literacy can enable the improvement of the financial wellbeing of young adults by making them more competent financial managers.

According to Ghasarma *et al.* (2017), the relationship between financial literacy and saving culture is influenced by Self-Efficacy Theory. The Self-Efficacy Theory was advanced by Bandura (1997) who posited that this theory can be applied in explaining the manner in which individuals improve their understanding of financial products and services, to be sufficiently literate on various financial products and services. Bandura (1997) identified four components of financial literacy including mastery experience – through the improvement of self-efficacy individuals will lead to in enhanced confidence in the use of financial products and services, modelling – the use of other people’s success in managing finances to act as models can act as a motivator, verbal persuasion – individuals who have achieved success are able to provide verbal persuasion in education and socialisation settings thereby improving financial literacy of individuals, and physiological and affective state – self-efficacy is dependent upon the stress levels of an individual which in turn affects their financial literacy.

The 2021 Fin access Household Survey established that the 18–25-year-old demographic was the most excluded from formal financial services in Kenya as of December 31, 2021, at 22.5% which represented an increment of 4.3% from 2019 mainly due to the lack of national identity cards (CBK, 2021). A study by Muiruri (2023) found that in response to the financial literacy challenges faced by the youth, the CBK in conjunction with the KBA launched a banking industry financial literacy campaign in June 8<sup>th</sup> 2023 so as to enhance their financial decision making and build a savings culture amongst this demographic. In a different study, Makunda and Matiko (2023) determined that whilst there has been a general increment in the level of formal savings amongst Kenyans in 2021 at 60.5% compared with 33.4% in 2016, the financial literacy levels amongst the 18–25-year-olds stood at only 59% while their formal savings were 52.5%.

Mwobobia (2022) conducted a study on the effect of financial literacy on saving culture among the youth in Nairobi County. The study was supported by three theories, namely: Dual Process Theory, Life Cycle Theory and the Goal Setting Theory. It applied a descriptive research design and its target population was 1,993,390 youths in Nairobi County. A snowball sampling technique was applied in selecting a sample of 100 participants. The study established that financial literacy enabled the youth in Nairobi to improve their financial management skills as shown by budgeting

of their incomes, and a thorough assessment of the affordability of items prior to making purchases. Whilst the study addressed financial literacy and saving culture, there was no mention of unit trusts as an institutional context rendering the findings unsuitable for this study. Additionally, the study focused on the youth in general rather than the 18-24 cohort reducing the applicability of some of the findings.

Oluoch (2021) examined the relationship between financial literacy and retirement planning in Nairobi County. The study was supported by the Life Cycle Theory, Expected Utility Theory and the Theory of Planned Behaviour. A descriptive research design was adopted by the study while the target population was all the 42,798 SMEs in Nairobi County. Data was collected from a sample of 396 SMEs. According to the findings of the study, there was a generally high level of financial literacy amongst people in Nairobi which facilitated better decision making relating to retirement planning. The study only focused on financial literacy but related it to retirement planning rather than to its impact on saving culture among the youth.

Khalid (2020) studied the impact of financial literacy on the financial decision making of the youth at Youth Enterprise development Fund (YEDF). The study was supported by the Dual Process Theory, Theory of Planned Behaviour and Theory of Social Learning. A descriptive research design was used and the target population was 1,000 youth from which random sampling technique was used to extract a sample of 50 participants. The study found that many of youth lacked effective financial management skills as exemplified by the failure to budget effectively, lack of willingness to look towards their long-term financial welfare, and impulsiveness in their spending habits. However, some of the youth showed remarkable fortitude in mitigating against loan defaulting through the timely payment of loans, awareness of laws governing the fund and starting to put aside something small for their retirement. The study failed to focus on the 18-24 year old cohort among the youth which made its findings inapplicable to the current study, and it also dwelt on the YEDF rather than on unit trusts.

Wamuyu *et al.* (2022) investigated digital credits and financial inclusion among the youth in Kenya. The study was underpinned by the Technology Acceptance Model, and the Rational Choice

Theory. An explanatory research design was adopted while the target population was 84,848 public and private university students aged between 18 and 35 years old from Nairobi City County. A sample size of 385 participants was used. The study affirmed that many youth in universities in Kenya had enhanced their financial literacy by including digital financial product proficiency which have enabled increased uptake of digital savings and digital credit. The study's narrowed focus on digital credits rather than on a broader range of financial products limited its scope while the target population of university students only left out youth within the same cohort outside of the universities which limited the applicability of the findings.

Oyando *et al.* (2017) studied effects of financial literacy on the performance of youth enterprises supported by Barclays Bank of Kenya. The study was supported by the Theory of Planned Behaviour. A descriptive research design as adopted and the target population was 450 members from 30 registered active youth enterprises in Kibra Constituency, Nairobi County. The study determined that many of the youth had a fairly good understanding of credit and loan acquisitions thanks to an enhanced financial literacy of budgeting and savings. The study was limited by the failure to define the youth into a more precise cohort. Furthermore, it was only conducted in Kibra Constituency whose characteristics may not be representative of the rest of the county. Additionally, there was no mention of trust funds.

Momanyi and Wainaina (2016) investigated the determinants of savings culture among households in Nairobi County, Kenya. The study utilised a descriptive research design and targeted the total working population of 985,016 of Nairobi County. It then applied convenience sampled to select a sample of 150 and collected primary data using semi-structured questionnaires. SPSS was then used to conduct data analysis. The results indicated that the main determinants of a savings culture were motives for saving, inflation, and gross domestic product. The study failed to find any connection between financial literacy and the adoption of a savings culture which was at odds with the present study. Additionally, the concentration on the working population rather than the young adults was a contextual gap since this scope was way beyond the present study. The study also investigated macroeconomic determinants rather than individualistic determinants which represented a conceptual gap.

Dagunga *et al.* (2022) studied savings and economic diversification among youth in Ghana. The study was anchored on the utility maximisation theory. It was conducted among cocoa growing regions and eleven administrative districts in Ghana and used a sample of 10,656 youth. Data analysis was done using an endogenous-switching Poisson regression model. The results indicated that the primary challenge faced by youth in the studied regions in their attempts to save was the lack of adequate disposable income followed by the lack of access to financial institutions, and mistrust of financial institutions. The study did not find any significant correlation between financial literacy and savings culture among the youth. The study was limited by its different geographical context as well as the concentration on cocoa growing rather than unit trusts.

Kintamu (2019) studied the determinants of youth saving habits in Kembeta Timbaro Zone in Ethiopia. The study applied a combination of descriptive and econometric approaches to research design and collected primary data using questionnaires from 130 youth. SPSS was then used to conduct data analysis. According to the results, the youth had a poor saving habit due to inadequate parental socialisation with regards to financial management, lack of awareness about financial products, negative influence of peers, and poor self-control. The study also failed to find a definite correlation between financial literacy and saving habits among the youth. The main knowledge gaps in the study were the different institutional and geographical contexts, and the different research design which is a methodological gap.

Given the established inconsistencies in the empirical studies, it is the assertion of this study that more accurate context will be provided regarding the influence of financial literacy on savings culture among the 18-24 year old demographic in particular; in unit trusts as institutional contexts so as to distinguish these from all the other institutional contexts that have been covered in other studies; and in Kenya as a geographical context.

### **2.3.2 Parental Socialisation and Saving Culture in Unit Trusts among the young adults**

According to Axpe *et al.* (2019), parental socialisation refers to the configurations of practices adopted by parents in order to influence the behaviour and attitudes of their children. These

practices may be grouped into four parental styles, namely: authoritative, democratic, indulgent or permissive that lead to differing degrees of responsiveness on the part of the children and demandingness on the part of the parents. Martinz-Escudero *et al.* (2020) maintained that parental socialisation features the interaction between communication, affection and control that lead to the manifestation of the four aforementioned parenting styles based on different levels of behavioural control.

The relationship between parental socialisation and saving culture is influenced by the consumer socialisation theory. The theory which was advanced by Ward (1974), stipulated that a child's achievement motivation and their later striving in the work environment is influenced by present processes such as parental influences. Additionally, there are three components of consumer socialisation, namely: the acquisition of attitudes and values regarding adult roles that act as foundations of subsequent learning of specific behaviour; information that becomes relevant in an individual's life later in life; and general and specific skills that are expressed in a child's immediate situations, and which will be applied in the individual throughout their lives upon necessity. Thus, savings are one of the specific behaviours exemplified by young adults by virtue of parental socialisation.

Otieno *et al.* (2021) established that early childhood socialisation has played a critical role in the formation of individual's personality in Kenya; and decisions such as career choices up to 40% of the time on the basis of parental beliefs and cultural backgrounds. Maami (2019) affirmed that parental socialisation manifests in different parenting styles of parents in Kenya such that those parents who are generally stricter tend to have a more domineering influence on the choices made by their children including saving behaviour particularly in rural settings where obedience is common. However, the young adults in urban areas such as Nairobi are more prone to disobedience and delinquent behaviours where parental socialisation has had a diminished impact on their financial decisions including saving.

Antoni *et al.* (2019) conducted a study on the influence of parental socialisation techniques on student financial behaviour. The study was supported by the Theory of Family Financial

Socialisation. A quantitative research design was adopted by the study. The study's target population featured 350 undergraduate students studying at the Nelson Mandela University in South Africa. The findings indicated that many students learn their financial management from their parents so if a parent is reckless with their usage of money they pass on the same advice to their child. Indeed, the study found that in countries South Africa where many fathers in the slum neighbourhoods have not been involved in their children's lives, the young adults have lacked guidance on financial management. The study was limited by its different geographical context of South Africa rather than Nairobi, Kenya, the restricted target population of undergraduate university students in one university, and the lack of focus on unit trusts.

NorAzman and Muhammed (2017) studied the influence of parents in shaping financial behaviour of their children. The study was underpinned by the Theory of Consumer Socialisation. A descriptive research design was adopted and the target population was 391 youth aged between 20 and 40 years and residing in rural areas of Malaysia. Systematic random sampling was used to select a sample of 270 participants from the target population. The study found that the two most critical influences of parents on children's financial behaviour are observation and interaction with parents, and the weight of the influence is dependent upon high early in the children's age the observations and interactions occur. Thus, when parents recognise their role in establishing the right financial behaviours then they will reinforce the education that the children receive in school. The main points of departure for the study were the different geographical context of rural Malaysia instead of urban Kenya, the expanded age profile of the target population of 20 to 40 instead of 18 to 24, and the lack of focus on unit trusts.

Sharif and Naghavi (2017) investigated family financial socialization, financial information seeking behaviour and financial literacy among youth. The study was supported by the Family Financial Socialisation Theory. A cross-sectional research design was adopted by the study. The target population was 802 tertiary education students in Malaysia. The study established that the introduction of a number of technological innovations such as the Internet has reduced the societal expectation of parents to control the behaviour of their youth since the latter have increasingly become more technologically savvy in seeking financial information and are now expected to

exploit technology to enhance their prudential management of funds. The main points of divergence of the study were the different geographical context of Malaysia, the different research design, and the lack of attention to unit trusts as institutional context.

Ghafoor and Akhtar (2024) examined the relative influence of parental socialisation on Gen-Z's financial well-being. The study was underpinned by the family financial socialisation theory. A mixed methods qualitative and quantitative approach was adopted. Semi-structured interviews and questionnaires were then used to collect data from 333 Gen-Zs in Pakistan. The data analysis was then conducted using NVivo 10 software. The results indicated that parents were more likely to financially socialise their daughters than their sons owing to the expectation that the former will take up the management of household finances. Additionally, there was a negative correlation between the fathers' education and the attitude of Gen-Zs towards financial management. The study's main knowledge gaps were the concentration on financial well-being rather than on savings which was a conceptual gap, choice of mixed methods research design which was a methodological gap and different institutional context.

Sruthiya (2021) carried out a study on the role of parental socialisation on financial literacy among youth. The study collected data from 100 youth in Kerala, India. Regression analysis was then used to establish the relationships amongst the study variables. The study established that there was no significant correlation between financial monitoring and teaching on financial literacy, while at least one third of the respondents disagreed that parental socialisation was critical towards their decision to save. The study was limited by its lack of concentration on unit trusts which was a contextual gap, as well as the inverse investigation of the study variables which was a conceptual gap.

Given the established inconsistencies in the empirical studies, it is the assertion of this study that more accurate context will be provided regarding the influence of parental socialisation on savings culture among the 18-24 year old demographic in particular, in unit trusts as institutional contexts so as to distinguish these from all the other institutional contexts that have been covered in other studies, and in Kenya as a geographical context.

### 2.3.3 Peer Influence and Saving Culture in Unit Trusts among the young adults

Peer influence refers to the direct or indirect pressure applied by members of a particular social group who have common interests, social positions, or experiences on an individual to alter their values, beliefs and behaviour (Wolske *et al.*, 2020). Individuals, particularly those that have not yet formed lasting conceptions of important aspects of their lives, tend to be influenced by those who they can relate with through their value systems, thus some organisations have sought to exploit this by using individuals from the same age group who share attributes with the cohort that the financial information is meant for in their marketing messages (Putri & Wijaya, 2020).

The relationship between peer influence and saving culture is affected by the Social Judgement Theory. The Social Judgement Theory which was advanced by Sherif and Hovland (1961) postulated that evaluations are made by people regarding the content of messages on the basis of their anchors or perspectives on a given subject matter related to the messages. Accordingly, the knowledge of an individual's attitudes towards certain subjects can offer clues regarding the manner in which one can persuade that individual. The theory also explains how peer groups are formed since people who share certain perspectives on subjects of interest to them gravitate towards each other and are influenced by other members of the group. This is true for choices related to savings.

According to a study by Alekam and Salleh (2018) on the effect of family and peers on the financial behaviour among young generations in Malaysia, during the period when individuals are children and young adults, they are high impressionable and open to suggestion, thus peers have a significant influence on their financial behaviour. Additionally, the influence was found to be negative in the majority of cases since there was a higher propensity to spend than to save. However, this was inconsistent with Khan *et al.* (2016) who found that young adults who make affiliate themselves with well-grounded peers end up benefitting from sound financial influence. The study's main weakness was that it was limited to the states of Kedah, Perlis, Perak, Johor and Kuala Lumpur in Malaysia and the respondents were restricted to 18 to 35 years olds only.

Munanda (2017) examined the determinants of savings among the youth in the Kenyan banking sector and found that peers act as powerful socialisation agents during the entire course of a young adult's life and indeed replaces parental influence as an individual becomes more independent with age, particularly when some members of the peer group are more financial literate and concerned by being conservative in their spending and saving. Irungu (2017) added that individuals who do not have a high enough financial literacy amongst young professionals in Kenya tend to be more reliant more peer influence to make decisions pertaining to saving. The study also found that many of these young professionals have joined self-help groups (SHGs) where the advice of fellow members became critical towards their decision making on savings.

Gulati (2017) studied the impact of peer pressure on buying behaviour. The study was not supported by any theory. An empirical review research design as adopted by the study. Secondary data was collected from newspaper articles, journals, press releases, magazines and media reports. The study established that the need to conform is particularly critical for individuals who are still in an impressionable age since they have a strong compunction to identify with their social groups through their behaviour and decision making. Indeed, this includes the choices on spending since these youth tend to shop together which can lead to reckless consumption when some individuals spend more than they are capable of and are forced to get into unsustainable debt. The study was limited by its lack of theoretical foundation, the different research design, the different geographical context of India rather than Kenya, and the lack of focus on unit trusts.

Osei (2019) examined peer influences on antisocial and prosocial behaviours in group home foster care. The study was supported by the Ecological Theory. A desktop review was conducted, and secondary data was collected from 10 institutional databases. and found that these include intrinsic factors such as the stability of the home environment as well as extrinsic factors such as the communities where individuals are socialised play a critical role in the financial decision making by young adults given that the former instils the value systems which are important for grounding an individual while the latter may alter these value systems depending on the strength of character of the individual. The study's main inconsistencies were the different theoretical foundation, the

different research design, the different cohort of 10- to 17-year-olds, and the lack of focused attention to saving as a dependent variable.

Hubers (2019) examined the role of personality, environment, and background on the personal finance of college students on adolescent financial decision making by. The study was supported by the Dark Triad Theory. A one-way ANOVA research design was adopted by the study. Data was collected from a sample population of 57 college students aged between 18 and 26. The study found that the personalities of adolescents and young adults play a critical role in their financial decision making. Indeed, individuals who have alpha personalities tend to be the trend setters for their peers rather than the other way around and, as such, influence the financial decisions of those in their social groups. However, individuals who have low self-esteem tend to be followers rather than leaders and so their financial decision making is shaped by others in their social groups. The study was limited by its different theoretical foundation, the different research design, the restricted target population of only college students from one college, and the lack of focus on unit trusts.

Angela and Pamungkas (2022) conducted a study on the influence of financial literacy, parental socialisation, peer influence and self-control on saving behaviour. The study applied a descriptive research design and targeted employees who were resident in Jakarta. Non-probability sampling was used to arrive at 543 respondents. Questionnaires were then used to collect primary data with the aid of Google forms. Partial Least Squares Regression was used to conduct data analysis. The results indicated that although financial literacy, parental socialisation and self-control had positive and significant correlations with savings, peer influence did. The study was limited by its different geographical and institutional contexts.

Christianto and Asandimitra (2023) analysed factors influencing saving behaviour among millennial generation in Surabaya with saving intention as a mediating variable. A causal research design was applied by the study. Purposive sampling was used to select 230 respondents between the ages of 26 and 41 and primary data was collected using questionnaires. The combination of a conclusive causal approach and structural equation modelling were used to conduct data analysis. The study established that while financial literacy and self-control had positive and significant

relationships with savings, peer influence did not. The study was limited by its different geographical and institutional contexts which were contextual gaps, and its treatment of savings as a mediating variation rather than a dependent variable which is conceptual gap.

Zainudin and Shaharuddin (2022) examined factors affecting individual saving behaviour in Malaysia. The study applied a qualitative research design and collected data through a comprehensive literature review of 12 previous studies. The study found that most Malaysians had not adopted a saving culture. However, for those who had, they were influenced by financial literacy, financial self-efficacy, parental socialisation, self-control, risk tolerance and attitude towards. The study did not find a significant correlation between peer influence and savings. The study was limited by its different geographical and institutional contexts which were contextual gaps.

Given the established inconsistencies in the empirical studies, it is the assertion of this study that more accurate context will be provided regarding peer influence on savings culture among the 18–24-year-old demographic in particular, in unit trusts as institutional contexts so as to distinguish these from all the other institutional contexts that have been covered in other studies, and in Kenya as a geographical context.

#### **2.3.4 Level of Income and Saving Culture in Unit Trusts among the young adults**

According to Fantom and Serajuddin (2016), income refers to gains or benefits accrued by an individual or organisation from an economic activity on a daily, weekly, monthly and annual basis. The level of income is defined as the amount of income earned by an individual or organisation in a given period of time when compared to the average income for a specific job classification. Thus those individuals who earn in excess of the average income are said to have a high level of income, those who earn a moderately are said to have a middle level of income while those that earn less than the average are said to have a low level of income.

The relationship between level of income and saving culture is influenced by the Permanent-Income Hypothesis which was proposed by Friedman (1957) who hypothesised that the normal

level of income, also referred to as permanent income, is the average level of income that households expect to receive during their lives, however, deviations from this are referred to as transitory income. Additionally, the component of households' consumption that is planned and steady is referred to as permanent consumption while any deviation from this level is referred to as transitory consumption. Accordingly, there is a proportionate correlation between permanent consumption and permanent income; and these two components are independent of each other. Thus, households that are able to focus on their permanent income are able to save more effectively than those that are more into transitory consumption and transitory income.

Munanda (2017) investigated savings among the youth in Kenya and determined that many youths were constrained from saving owing to their limited level of income since many of them are either unemployed or on very low paying jobs so lack the disposable income to save. Additionally, owing to indiscipline and high consumerism, many youth have developed poor saving habits. This was inconsistent with Alshebami and Aldhyani (2022) who found that owing to the inability of many youth in developing countries to afford financial literacy education, they were unable to develop good saving habits. The study's focus on the banking industry and the context of a single banking institution were key weaknesses of the study.

The 18-25-year-old demographic in Kenya is characterised by low-income levels owing to the fact that most of those who are employed are on entry-level jobs and, as such, do not make enough to save effectively (Konya & Nyakwara, 2019). Additionally, a number of the youth are prone to impulsive spending of the limited income on frivolous things owing to their immaturity (Konya & Nyakwara, 2019). Some of the employed youth enjoy increased income levels as they advance in their careers particularly those between 25-35 years of age, however, their savings behaviour is moderated by their financial literacy since this determines their decision making regarding their consumption and saving (Ajayi & Ross, 2017).

Frisancho (2020) investigated the impact of financial education for youth. The study was not supported by any theory. The study adopted a descriptive survey research design. The target population comprised 20,000 students in 900 classrooms and 453 teachers in Peru. The study found

that financial education endows young adults with the requisite knowledge and skills that are in demand in companies enabling them to earn higher income levels which in turn gives them more disposable incomes to invest and save accordingly. The main areas of inconsistency were the lack of theoretical foundation, the imprecise definition of the target population, the different geographical context of Peru, and the lack of focus on unit trusts.

Fraczek and Klimontowicz (2015) studied financial literacy and its influence on young customers' decision factors. The study was not supported by any theory. A two-step research design featuring an empirical review and a descriptive survey was adopted for the study. The target population was 181 young people aged between 18 and 24 consisting of business and economy students from Finland, Latvia, Spain and Poland. The study affirmed that the most common financial management qualification pursued by young people in many parts of the world is a Bachelor's degree in Commerce along with a Chartered Public Accountancy (CPA) professional certificate. Whilst these qualifications are highly sought after given the extra income that qualified individuals will earn, the expense involved in acquiring them has meant that only a limited number of individuals are able to afford them in developing countries. The main inconsistencies were the lack of a theoretical framework, the different geographical context, and the lack of focus on unit trusts.

Khalid (2020) studied the impact of financial literacy on the financial decision making of the youth at Youth Enterprise development Fund (YEDF). The study was supported by the Dual Process Theory, Theory of Planned Behaviour and Theory of Social Learning. A descriptive research design was used and the target population was 1,000 youth from which random sampling technique was used to extract a sample of 50 participants. According to the findings, the level of experience of youth involved in the YEDF enabled them to make sound financial decisions given that they learned effective means of saving, managing expenditure, budgeting, loan management and retirement plans. Such skills empowered these youth by making them more marketable in the job market and facilitating higher income levels in the future. The study failed to focus on the 18-24 year old cohort among the youth which made its findings inapplicable to the present study, and it also dwelt on the YEDF rather than on unit trusts.

Wanja (2014) examined the correlation between financial literacy trainings and the self-employment of youth in Kenya by focusing on Thika Town Constituency. The study was supported by the Social Learning Theory. It utilised a descriptive research design. It's target population was 432 youth entrepreneurs. The Krejcie and Morgan sampling technique was applied in computing a sample size of 205 participants from youth employed at Mercy Corps. The study found that given the paucity of employment opportunities, many youth in Kenya have been unable to have the requisite professional experience, thus, they are compelled to seek self-employment through the establishment of SMEs. Training initiatives by NGOs such as Mercy Corp International have enabled many youth to gain the financial skills necessary to boost their earnings in their businesses. The main areas of inconsistency were the different geographical context of Thika instead of Nairobi, the expanded target population of 18 to 35 year olds, the lack of focus on saving as a dependent variable, and unit trusts as institutional context.

Muriithi (2016) examined the determinants of saving culture among employees in small and medium enterprises in Nairobi County, Kenya. The study was supported by the Life Cycle Theory, Permanent Income Theory, Social Class Theory, and Maslow Hierarchy of Needs. It adopted a descriptive research design and targeted 250 licensed SMEs registered in Kenya. A sample of 200 respondents was then selected purposively. Data analysis was then conducted using SPSS. The results showed that whilst the level of income was found to be a determinant of savings amongst the youth, transaction costs were found to be a more critical determinant. This study was limited by its different institutional context which was a contextual gap.

Munanda (2017) studied the determinants of savings among the youth in the Kenyan banking sector. The study adopted a descriptive research design and targeted 100 youthful employees of Standard Chartered Bank, then a sample of 60 employees were selected using stratified sampling from Standard Chartered Bank. The study established that poor financial discipline and poor spending habits hampered the young adults' ability to save regardless of the level of income. Thus, according to this study, the level of income was not a critical determinant of savings culture. This study was limited by its different institutional context which was a contextual gap.

Xian and Hassan (2019) investigated the awareness of unit trust among young professionals in Malaysian private sector. The study applied a quantitative approach and collected primary data from 150 young adults working in Kuala Lumpur, Malaysia. The study found that awareness of unit trusts was the most important determinant of the adoption of a savings culture in unit trusts amongst young professionals since individuals who had the disposable income but lacked awareness of the products were unlikely to adopt them. The study recommended that further research be conducted on awareness of unit trust in other regions of the country. The study was limited by its different geographical context, and its specific concentration on awareness of unit trusts which was a conceptual gap.

Given the established inconsistencies in the empirical studies, it is the assertion of this study that more accurate context will be provided regarding the influence of the level of income on savings culture among the 18-24 year old demographic in particular, in unit trusts as institutional contexts so as to distinguish these from all the other institutional contexts that have been covered in other studies, and in Kenya as a geographical context.

## **2.4 Research Gaps**

The literature review revealed three critical gaps in the research. The first one was that there was a difference in the institutional contextualisation of extant literature when compared with the present study which meant that the findings from these studies were not necessarily applicable given the unique characteristics of unit trusts when compared to other institutional contexts. Khalid (2020) dwelt on the YEDL rather than on unit trusts. Bakar and Bakar (2020) also investigated the influence of parental socialisation on positive financial behaviour among the youth without providing an institutional context again rendering the findings inappropriate for the present study. In fact there were several other studies which studied peer influence and saving culture among the youth without focusing on unit trusts including Gulati (2017), Osei (2019), and Hubers (2019). Sharif and Naghavi (2017) failed to provide any institutional context which meant that it was not possible to confirm whether the findings were applicable to the present study. Mwobobia (2022) concentrated on saving culture among the youth in general in Kenya without providing any

institutional context such as the unit trusts that the present study is based on and given the unique characteristics of unit trusts such as the possibility of diversified investment and the likelihood of earning bonuses and capital gains, this has rendered the findings unsuitable. Oyando *et al.* (2017) studied youth enterprises supported by the Barclays Bank of Kenya and failed to mention unit trusts. Maina (2018) examined a different institutional context of youth-owned enterprises rather than unit trusts which rendered its findings too general for the present study. Onyango (2018) was limited by the use of VSLAs rather than unit trusts which meant that the findings were not suitable to the present study. It is apparent from the aforementioned that the different institutional contextualisation is a major gap in the existing body of knowledge that this study sought to fill.

The second gap pertained to the concentration on different cohorts rather than on the 18-24 year olds. Since different age groups are affected differently by the study variables, the specificity of the age group is a critical component of the present study. Mwobobia's (2022) study, which was conducted in 2019, and Khalid (2020), which was conducted between 2016 and 2018, investigated generalised studies on youth rather than a narrowing down on the 18-24 cohort rendering the findings unsuitable for the present study since the characteristics of different cohorts make them behave differently when it comes to their financial decision-making, for instance, the 18-24 cohort comprises individuals who may still be depending on their parents and so who may not yet feel the need to save, however, 25-35 year olds are typically more mature and financial independent and for whom financial prudence and thriftiness becomes a necessity rather than an option. Wamuyu *et al.* (2022) dwelt on university students which included some age groups outside of the 18-24 cohort also rendering the findings inappropriate for the present study. Oyando *et al.* (2017) was also limited by the failure to define the youth into a more precise cohort meaning that it was difficult to attribute the findings to the 18-24 cohort. Mbuthia (2016) also investigated students at Strathmore University which was a broader target population than the 18-24 year olds that are being studied by the current study. Similarly, Antoni *et al.* (2019) was limited by the concentration on undergraduate students of one university as a target population. Maina (2018) was limited by a lack of age definition of the target population which rendered the findings imprecise. NorAzman and Muhammed (2017) addressed an expanded age profile of the target population of 20 to 40

instead of 18 to 24 meaning that some of the findings were not suitable for the present study. Osei (2019) targeted a different cohort of 10 to 17 year olds which was much a much younger age group than the 18 to 24 year olds in the current study and, therefore, rendering the findings unsuitable to the present study since these younger group are not old enough to make proper financial decisions such as saving.

The third research gap was the lack of concentration on savings culture as a dependent variable by a number of studies. Oluoch (2021) only focused on financial literacy but related it to retirement planning rather than to its impact on saving culture among the youth. This meant that it was investigating a completely different outcome from the present study which was a conceptual gap. Wamuyu *et al.* (2022) had a narrowed emphasis on digital credits rather than on a broader range of financial products pertaining to savings which limited its scope. Rotich (2018) focused on financial management in general rather than on financial literacy as a determinant of savings which negated some of the findings. Extant research has treated savings culture as the dependent variable while Chowa and Despard (2013) addressed financial behaviour as the dependent variable rendering the findings incomparable as a result. Obuinu (2015) studied adolescent friendship as a dependent variable rather than savings culture which are completely different concepts. Frisancho (2020) concentrated on financial education of the youth as the dependent variable which is a more general concept than savings culture while Lieber and Skimmyhorn (2018) examined financial decision making which is more general concept than savings culture. Thus, as is evident from this analysis, concentration on dependent variables other than savings culture is a key gap that has been addressed by the present study.

**Table 2. 1: Summary of Knowledge Gaps**

<b>Study</b>	<b>Focus of Study</b>	<b>Findings</b>	<b>Research Gap</b>	<b>Focus of Current Study</b>
Mwobobia (2022)	Effect of financial literacy on saving culture among the youth in Nairobi County	The youth in the county had established a savings culture as exemplified by the fact that they usually set aside a portion of the money that they earned, majority of them also made provisions for future needs and wants, and they normally increased their savings whenever their income increased.	Focused on saving culture among the youth in general in Kenya without providing any institutional context such as the unit trusts that the present study is based on and given the unique characteristics of unit trusts, this has rendered the findings unsuitable.	To establish the determinants of a saving culture in unit trusts among young adults in Nairobi County, Kenya.
Oyando <i>et al.</i> (2017)	Effects of financial literacy on the performance of youth enterprises supported by Barclays Bank of Kenya in Kibra Constituency, Nairobi County, Kenya	Many of the youth had a fairly good understanding of credit and loan acquisitions thanks to an enhanced financial literacy of budgeting and savings.	Focused on youth enterprises supported by the Barclays Bank of Kenya and failed to mention unit trusts.	To establish the determinants of a saving culture in unit trusts among young adults in Nairobi County, Kenya.
Maina (2018)	Influence of Youth Enterprise Development Fund efficacy on the financial	There was a general lack of financial planning skills which had resulted in poor budgeting by the youth belonging	Studied a different institutional context of youth-owned enterprises rather than unit trusts which	To establish the determinants of a saving culture in unit trusts among young

	performance of youth-owned enterprises in Kirinyaga County	to these enterprises owing to the lack of adequate financial resources to ensure the training in financial management, especially budget preparation.	rendered its findings too general for the present study.	adults in Nairobi County, Kenya.
Sharif and Naghavi (2017)	Family financial socialization, financial information seeking behavior and financial literacy among youth.	The introduction of a number of technological innovations such as the Internet has reduced the societal expectation of parents to control the behaviour of their youth since the latter have increasingly become more technologically savvy in seeking financial information and are now expected to exploit technology to enhance their prudential management of funds.	Failed to provide any institutional context which meant that it was not possible to confirm whether the findings were applicable to the present study.	To establish the determinants of a saving culture in unit trusts among young adults in Nairobi County, Kenya.
Bakar and Bakar (2020)	Parental financial socialisation and how it forms pathways to positive	According to the findings, societies that hold parents to account for the behaviour of the children have an expectation that proper financial habits and practices	Focused on the influence of parental socialisation on positive financial behaviour among the youth without providing an institutional	To establish the determinants of a saving culture in unit trusts among young adults in Nairobi County, Kenya.

	financial behaviour.	will be inculcated into the children from an early age. This is particularly so in western countries which are more individualistic and expect the attainment of financial self-sufficiency by youth by the time they become adults, however, countries which are less individualistic and more about the collective such as many African countries retain more parental ties and expect that the young individual will turn to the parent for financial guidance even well into the adult years.	context again rendering the findings inappropriate for the present study.	
Khalid (2020)	The impact of financial literacy on the financial decision making of the youth at Youth Enterprise development Fund (YEDF).	The study found that many of youth lacked effective financial management skills as exemplified by the failure to budget effectively, lack of willingness to look towards their long-term financial welfare, and impulsiveness in	Conducted generalised studies on youth rather than a more focused study on the 18-24 cohort rendering some of the findings unsuitable for the present study.	To establish the determinants of a saving culture in unit trusts among young adults in Nairobi County, Kenya.

		their spending habits.		
Wamuyu <i>et al.</i> (2022)	Investigated digital credits and financial inclusion among the youth in Kenya.	The study affirmed that many youth in universities in Kenya had enhanced their financial literacy by including digital financial product proficiency which have enabled increased uptake of digital savings and digital credit.	The study's narrowed focus on digital credits rather than on a broader range of financial products limited its scope while the target population of university students only left out youth within the same cohort outside of the universities which limited the applicability of the findings.	To establish the determinants of a saving culture in unit trusts among young adults in Nairobi County, Kenya.
Oyando <i>et al.</i> (2017)	Studied effects of financial literacy on the performance of youth enterprises supported by Barclays Bank of Kenya.	The study determined that many of the youth had a fairly good understanding of credit and loan acquisitions thanks to an enhanced financial literacy of budgeting and savings.	The study was limited by the failure to define the youth into a more precise cohort. Furthermore, it was only conducted in Kibra Constituency whose characteristics may not be representative of the rest of the county. Additionally, there was no mention of trust funds.	To establish the determinants of a saving culture in unit trusts among young adults in Nairobi County, Kenya.

<p>Mbuthia (2016)</p>	<p>A study on mobile solutions for savings by the youth in Kenya.</p>	<p>The study found that given the sizeable market of smartphones in Kenya, companies have started providing mobile saving solutions for the youth that have incorporated functionality such as notifications of all key aspects of the proposed solutions within the products which have ensured greater awareness of the need to save.</p>	<p>The study was limited by its narrow focus on mobile solutions for savings, its different theoretical foundation, as well as the choice of students in Strathmore University only as the target population.</p>	<p>To establish the determinants of a saving culture in unit trusts among young adults in Nairobi County, Kenya.</p>
<p>NorAzman and Muhammed (2017)</p>	<p>The influence of parents in shaping financial behaviour of their children.</p>	<p>The study found that the two most critical influences of parents on children's financial behaviour are observation and interaction with parents, and the weight of the influence is dependent upon high early in the children's age the observations and interactions occur. Thus, when parents recognise their role in establishing the right financial behaviours then they will reinforce the education that the</p>	<p>The main points of departure for the study were the different geographical context of rural Malaysia instead of urban Kenya, the expanded age profile of the target population of 20 to 40 instead of 18 to 24, and the lack of focus on unit trusts.</p>	<p>To establish the determinants of a saving culture in unit trusts among young adults in Nairobi County, Kenya.</p>

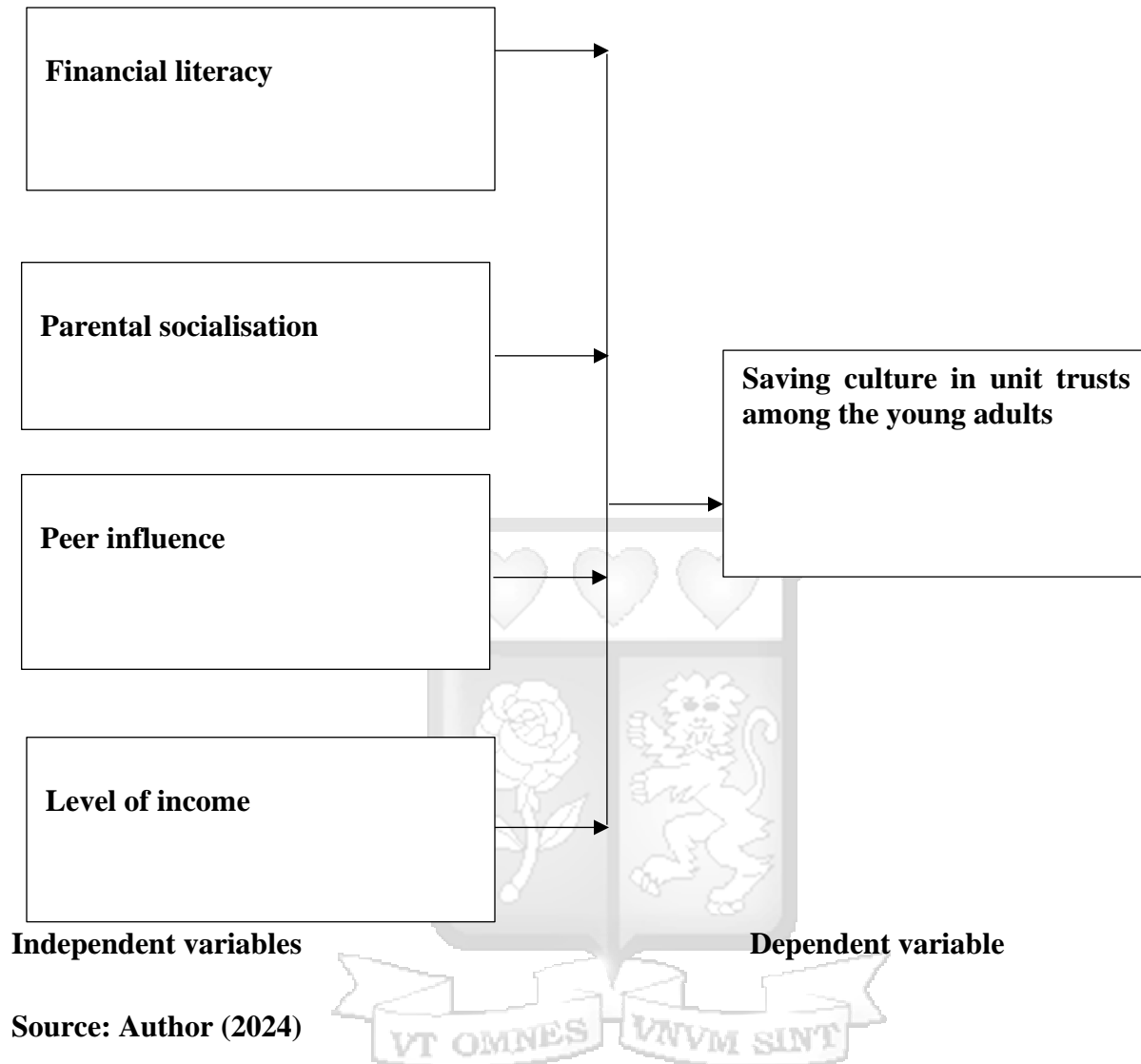
		children receive in school.		
Osei (2019)	Examined peer influences on antisocial and prosocial behaviours in group home foster care.	The study found that these include intrinsic factors such as the stability of the home environment as well as extrinsic factors such as the communities where individuals are socialised play a critical role in the financial decision making by young adults given that the former instils the value systems which are important for grounding an individual while the latter may alter these value systems depending on the strength of character of the individual.	The study's main inconsistencies were the different theoretical foundation, the different research design, the different cohort of 10 to 17 year olds, and the lack of focused attention to saving as a dependent variable.	To establish the determinants of a saving culture in unit trusts among young adults in Nairobi County, Kenya.
Oluoch (2021)	Examined the relationship between financial literacy and retirement planning in Nairobi County.	According to the findings of the study, there was a generally high level of financial literacy amongst people in Nairobi which facilitated better decision making relating to retirement planning.	The study only focused on financial literacy but related it to retirement planning rather than to its impact on saving culture among the youth.	To establish the determinants of a saving culture in unit trusts among young adults in Nairobi County, Kenya.
Rotich (2018)	Conducted a study on the correlation	The findings showed that the youth groups had	The main limitations of this study was the	To establish the determinants of a saving culture

	between financial management practices and the financial performance of government funded youth group businesses in Kenya.	been unable to impart vocational skills to the members through financial trainings and interventions thereby negatively impacting on the profitability of their businesses. Additionally, low financial management skills made the youth vulnerable to excessive borrowing and the inability to save.	geographical context of Kuresoi Sub-County instead of Nairobi County, the target population which covered 18 to 35 year olds, going beyond the examined cohort, and the focus on financial management in general rather than financial literacy which negated some of the findings.	in unit trusts among young adults in Nairobi County, Kenya.
				To establish the determinants of a saving culture in unit trusts among young adults in Nairobi County, Kenya.

Source: Author (2024)

**2.5 Conceptual Framework**

A conceptual framework establishes a foundation for what is important or relevant for a given piece of research so as enable the provision of responses to research questions (Ravitch & Riggan, 2016); or a structure that ensures the linkage with concepts, empirical literature and significant theories applied in articulating the researcher’s intended knowledge in a systematic manner (Adom *et al.*, 2018). The conceptual framework of the study is illustrated in Figure 2.1.



**Independent variables**

**Dependent variable**

Source: Author (2024)

**Figure 2. 1: Conceptual Framework**

### 2.5.1 Operationalisation of Variables

Rao and Reddy (2013) defined operationalisation as the process through which research concepts and constructs are defined and the procedures involved in the measurement of these concepts and constructs. Tariq (2015) explained that variables are operationalised when a valid, measurable and quantifiable index is applied in defining them and can be used in their manipulation. The operationalisation of the variables is presented in Table 2.1 below.

**Table 2. 2: Operationalisation of Variables**

Variable Name	Constructs	Measurement Scale	Supporting Literature
Savings Culture in Unit Trusts	<ul style="list-style-type: none"> <li>• Awareness of savings products</li> <li>• Utilisation of savings products</li> <li>• Level of materialism</li> </ul>	Five-point Likert scale 1-Strongly Disagree 2-Disagree 3- Neutral 4-Agree 5-Strongly Agree	Mwobobia (2022); Brown et al. (2021); Dirar et al. (2017); Pangestu and Karnadi (2020); Abrar et al. (2021); Knapp, et al. (2017); Uzelac and Lucic (2020);
Financial Literacy	<ul style="list-style-type: none"> <li>• Efficacy of investment practices</li> <li>• Financial planning practices</li> <li>• Debt management practices</li> </ul>	Five-point Likert scale 1-Strongly Disagree 2-Disagree 3- Neutral 4-Agree 5-Strongly Agree	Mwobobia (2022); Oluoch (2021); Khalid (2020); Wamuyu et al. (2022); Oyando et al. (2017); Mbuthia (2016); Rotich (2018); Maina (2018); and Onyango (2018)
Parental Socialisation	<ul style="list-style-type: none"> <li>• Parental influence of child</li> <li>• Societal expectations</li> <li>• Responsiveness of child</li> </ul>	Five-point Likert scale 1-Strongly Disagree 2-Disagree 3- Neutral 4-Agree 5-Strongly Agree	Anoni et al. (2019); NorAzman and Muhammed (2017) ; Sharif and Naghavi (2017); Bakar and Bakar (2020); Chowa and Despard (2014); and Sruthiya (2021)
Peer Influence	<ul style="list-style-type: none"> <li>• Need to conform</li> <li>• Level of self-esteem</li> <li>• Strength of friendship bonds</li> </ul>	Five-point Likert scale 1-Strongly Disagree 2-Disagree 3- Neutral 4-Agree 5-Strongly Agree	Gulati (2017); Osei (2019); Hubers (2019); Kadir et al. (2021); Obiunu (2015); and Lieber and Skimmyhorn (2018)
Level of Income	<ul style="list-style-type: none"> <li>• Level of education</li> <li>• Amount of experience</li> <li>• Level of personal debt</li> </ul>	Five-point Likert scale 1-Strongly Disagree 2-Disagree 3- Neutral 4-Agree 5-Strongly Agree	Frisancho (2020); Fraczek and Klimontowicz (2015); Khalid (2020); Wanja (2014); Kiai et al. (2016); and Odongo (2018)

Source: Author (2024)

## 2.6 Summary of Literature Reviewed

Mwobobia (2022) conducted a study on the effect of financial literacy on saving culture among the youth in Nairobi County. Oluoch (2021) examined the relationship between financial literacy and retirement planning in Nairobi County. Khalid (2020) studied the effect of financial literacy on financial decisions of the youth at Youth Enterprise development Fund (YEDF). Wamuyu *et al.* (2022) investigated digital credits and financial inclusion among the youth in Kenya. Oyando *et al.* (2017) studied effects of financial literacy on the performance of youth enterprises supported by Barclays Bank of Kenya. Mbuthia (2016) conducted a study on mobile solutions for savings by the youth in Kenya. Rotich (2018) conducted a study on the influence of financial management practices on the profitability of government funded youth group businesses in Kenya. Maina (2018) carried out a study on the influence of YEDF efficacy on the financial performance of youth-owned enterprises in Kenya. Onyango (2018) studied the influence of financial literacy training on the performance of village savings and loan associations (VSLAs) in Kenya.

Antoni *et al.* (2019) conducted a study on the influence of parental socialisation techniques on student financial behaviour. NorAzman and Muhammed (2017) studied the influence of parents in shaping financial behaviour of their children. Sharif and Naghavi (2017) investigated family financial socialization, financial information seeking behaviour and financial literacy among youth. Bakar and Bakar (2020) examined parental financial socialisation and how it forms pathways to positive financial behaviour. A study was conducted by Chowa and Despard (2014) on the influence of parental financial socialization on youth's financial behaviour in Ghana. Sruthiya (2021) studied the role of parental financial socialisation on financial literacy among youth.

Gulati (2017) studied the impact of peer pressure on buying behaviour. The study was not supported by any theory. Osei (2019) examined peer influences on antisocial and prosocial behaviours in group home foster care. A study was conducted by Hubers (2019) on influences on adolescent financial decision making by examining the role of personality, environment, and background on the personal finance of college students. Kadir *et al.* (2021) conducted a study on

the saving behaviour of young adults in emerging countries by focusing on the role of financial knowledge, peer influence and parental socialisation. Obiunu (2015) examined the relationship between parents and peer influences on qualities of adolescent friendship. Lieber and Skimmyhorn (2018) investigated peer effects in financial decision-making.

A study was conducted by Frisancho (2020) on the impact of financial education for youth. The study was not supported by any theory. Fraczek and Klimontowicz (2015) studied financial literacy and its influence on young customers' decision factors. Wanja (2014) examined the influence of financial literacy trainings on youth self-employment in Kenya by focusing on Thika Town Constituency. A study was conducted by Kiai *et al.* (2016) on the effect of financial capability on investment among financially included youth in Kenya. Odongo (2018) examined critical determinants of the uptake YEDF in Kenya.

## **2.7 Chapter Summary**

The chapter covered the theoretical review of the study which included a discussion on the Consumer Socialisation Theory. It then dealt with the empirical review of the study which featured the past studies conducted on the study variables. The chapter then discussed the research gap which demonstrated the points of divergence between the reviewed literature and the current study. Additionally, the conceptual framework showing the relationships amongst the study variables was illustrated. Finally, the summary of the reviewed literature was outlined.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The chapter contains a description of the various aspects of research methodology that pertain to the study. The chapter included the research philosophy, research design, target population, sampling design, data collection methods, research quality, data analysis, diagnostic tests, and ethical considerations.

#### **3.2 Research Philosophy**

According to Žukauskas *et al.* (2018), the research philosophy refers to the foundation of the research that involves the accepted research strategy, problem formulation, data collection, processing and analysis. Žukauskas *et al.* (2018) have identified a number of research philosophies including: positivism – holds that the social world can be comprehended in an objective manner; pragmatism – is founded on a focus on facts where the practical findings are considered critical; realism – relates to the assumptions that are needed for the perception of the subjectivity of a human being.

Saunders *et al.* (2015) affirmed that the selection of the most appropriate philosophy for business and management research is dependent upon the understanding of ontological assumptions (those related to the reality that researchers encounter during the course of the study); epistemological assumptions (these relate to assumptions pertaining to acceptable, valid and legitimate knowledge base of a piece of research); and axiological assumptions (these relate to role that ethics and values play in the process of research). Given that this research is quantitative it applied a post-positivism research philosophy as suggested by Fox (2008). Fox (2008) explained that the post-positivism philosophy explains a perspective of knowledge that is based on the nature of reality thus representing both an epistemological and ontological position.

### **3.3 Research Design**

Asenahabi (2019) posited that a research design refers to coordinated and structural basis that enables the provision of answers to research questions. Akhtar (2016) stated that it is the adhesive that facilitates the adherence of various aspects of a given research. In keeping with the recommendations of Saunders *et al.* (2011), the study applied a descriptive cross-sectional research design since it purposed to assess and articulate the behaviour or characteristics of the study subjects or items.

### **3.4 Target Population and Sampling Design**

The population of the study comprises actions, individuals or records that facilitate obtaining of information necessary for answering questions relating to the measurement of variables (Cooper & Schindler, 2014). Kombo and Tromp (2006) defined target population as the total group of items, objects, or individuals having a minimum of one common characteristic making them eligible to participate in research. The target population of the study were all the 36 licensed unit trust funds in Kenya (Cytton, 2023) which comprised the unit of analysis. Owing to the lack of access to potential respondents, the researcher settled on 25 of these unit trust funds who agreed to participate in the study, from which 6 young adults, within the 18-24-year-old cohort, were also selected using purposive sampling from each of the unit trust funds totalling 150 young adults, who made up the unit of observation.

### **3.5 Data Collection Methods**

Ubaidullah (2015) defined data collection as the process through which specific information is gathered so as to confirm or contradict the facts of a study. According to Kothari (2016), there are a number of determinants of data collection methods including the type of data. This study used questionnaires for collecting data so as to enable the collection of more thorough inquiries and because it offered the convenience of accessing individuals who have busy schedules.

The construction of the questionnaire for this study featured the following. Section A covered the background information which included demographic questions relating to gender, cadre of employment, duration of employment or association, age and education. Section B included six structured questions which covered the relationship between independent variable one and

the dependent variable. Section C included six structured questions which covered the relationship between independent variable two and the dependent variable. Section D included six structured questions which covered the relationship between independent variable three and the dependent variable. Section E included six structured questions which covered the relationship between independent variable four and the dependent variable; and Section F included six structured questions which covered various aspects of the dependent variable. A five-point Likert Scale was used in the question, it featured the following scales: strongly disagree (scale 1), disagree (scale 2), neutral (scale 3), agree (scale 4), and strongly agree (scale 5). This scale was used to determine the level of agreement or disagreement by the respondents to each question. It also facilitated the coding of the data in SPSS.

Cooper and Schindler (2014) defined research quality as the research procedures conducted to ensure adherence to laid down standards of data collection and analysis, and the ultimate achievement of research objectives. This study adopted the following procedures in order to ensure research quality: seeking approval to conduct the study, conducting the pilot test, establishing the reliability and validity of the research instrument, administering the research instrument to the main study respondents, collecting data, and carrying out the data analysis.

Kimberlin and Winterstein (2008) explained that validity articulates the extent to which interpretations of the findings of a test are acceptable. Accordingly, there are three different types of validity. Construct validity is established through an assessment based on the accumulation of evidence from different studies using a particular instrument. Content validity explains the adequacy and representativeness of the items developed to operationalise a construct. Criterion-related validity facilitates the provision of evidence regarding how well scores of the new measure correlate with other measures of the same construct. The study employed the expertise of 15 trust fund management personnel from the unit trust industry to provide content validity as part of a peer review pilot study who were 10% of the sampled population as recommended by Mugenda and Mugenda (2003).

Additionally, criterion validity was provided by the assurance that each individual would be accorded an equal opportunity to respond to each question equitably so as to ensure concurrency. Finally, construct validity was ensured through the use of component factor

analysis where factor loadings of 0.5 and above were considered valid for inclusion of the items under each category, such that those items that had factor loadings of less than 0.5 were considered invalid due to too close similarity with other items with each category (Tavakol & Wetzel, 2020).

### 3.5.1 Content and Criterion Validity Results

The study employed the expertise of 11 trust fund management personnel from to provide content validity as part of a peer review pilot study. Additionally, criterion validity was provided by an assessment of the research instrument on the basis on a number of criteria as shown in Table 3.1. According to the results, the respondents gave an overwhelming endorsement of the research instruments on the basis of the various criteria of assessment.

**Table 3. 1: Criterion Validity of Pilot Test Results**

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Issue of determinants of a saving culture has been adequately captured				20%	80%
Number of questions are sufficient for research Savings Culture is well captured by the questions				30%	70%
Demographic Questions add value to the research				60%	40%
The questions are well articulated				10%	90%
Likert Scale is appropriate for the study				70%	30%
				40%	60%

Source: Author (2024)

### 3.5.2 Construct Validity

Construct validity was assessed through exploratory component factor analysis where a threshold of 0.5 was adopted on the factor loading values. Exploratory Factor Analysis seeks to measure the underlying relationships between items in a questionnaire and the factors (constructs) measured by the questionnaire (Dabbagh *et al.*, 2023). According to Beavers *et al.*

(2019), each item needs to address a specific aspect of a variable, thus items capturing similar aspects should be deleted or edited. To assess this, inter-correlations/ communalities were utilized in the exploratory component factor analysis where items with factor loading below 0.5 were eliminated. Communalities are used to capture the extent of variance in the observed variables that can be attributed to the underlying factors. The results presented in Table 3.2 show that all items addressing each variable had a factor loading value of above 0.5 implying that all the items were valid, thus none was deleted. The items were considered valid for collecting data for the main study.

**Table 3. 2: Communalities for Exploratory Component Factor Analysis**

<b>Communalities</b>		
	Initial	Extraction
The investment or savings practices of the youth reflect their level of financial literacy.	1.000	.998
The youth have been able to carry out technical and fundamental analysis which has enabled them to make informed investment decisions.	1.000	.990
Youth have gained financial numeracy and financial knowledge which has improved their financial planning.	1.000	.960
Youth have gained skills through financial trainings which have enabled them to earn enough money to save.	1.000	.993
Inadequate financial planning skills due to resource constraints among young adults have resulted in poor debt management.	1.000	.994
Youth who had trained in budgeting were able to enhance their debt management and boost their ability to save.	1.000	1.000
Many young adults learn their financial management from their parents.	1.000	.984
The two most critical influences of parents on children’s financial behaviour are observation and interaction with parents.	1.000	.947
The introduction of a number of technological innovations such as the Internet has reduced the societal expectation of parents to control the behaviour of their youth.	1.000	.949
Parents are expected to inculcate proper financial habits and practices in their children from an early age.	1.000	.988
Youth that frequent the unit trust fund generally come from poor backgrounds and are expected to assume responsibilities for providing for their families.	1.000	.997
Youth who are more socialised become more responsive to financial teaching and monitoring by getting more involved in family budgeting.	1.000	.930

The need to conform is particularly critical for individuals who are still in an impressionable age since they have a strong compunction to identify with their social groups.	1.000	.994
Peer influence include intrinsic factors such as the stability of the home environment.	1.000	.987
Individuals who have low self-esteem tend to be followers rather than leaders and so their financial decision making is shaped by others in their social groups.	1.000	.972
Youth who have low self-esteem are reclusive by nature and seek non-physical mediums of interaction with their peers such as social media where they are likely to follow trends on the management of finances.	1.000	.996
The level of commitment by members of a social group during the formative years tend to influence the strength of the bonds between members.	1.000	1.000
Peers who have strong friendship bonds invariably influence each other's financial decisions through the sharing of information on the value of saving and investment.	1.000	.971
Financial education equips young adults with skills and knowledge that are in demand in companies enabling them to earn higher income levels which in turn enables them to save.	1.000	.986
The expense involved in acquiring higher qualifications has meant that only a limited number of individuals are able to afford them	1.000	.994
The level of experience of youth enabled them to make sound financial decisions.	1.000	.976
Training initiatives have enabled many youth to gain the financial skills necessary to boost their earnings and to save.	1.000	.972
Owing to the fact a number of youth were either unemployed or only employed as casual workers they lacked the financial capability to save.	1.000	.999
Many youth lacked adequate credit management skills which pushed them to borrow recklessly thereby resulting in poor debt management.	1.000	.994
A high fashion awareness and the need to conform to the lifestyles of their peers drives the young adults to spend a significant portion of their income on clothing.	1.000	.970
Given the fact that the young adults are more technologically savvy than most other cohorts, strategies which seek to make them more responsible need to incorporate the use of technology	1.000	.998
Young adults are more focused on establishing and implementing financial goals in order to achieve financial success.	1.000	.996
Young adults have experienced challenges making enough revenue to save.	1.000	.996

Young adults are characterised by impulsive consumption behaviours and tend to alternate between brands; however, they are also knowledgeable about financial management.	1.000	.983
A low literacy level and lack self-control which have both contributed towards a poor saving culture among the youth.	1.000	.975

Extraction Method: Principal Component Analysis.

Source: Author (2024)

Reliability as the capacity of an instrument to measure consistently what it purposes to measure (Tavakol & Dennick, 2011). Thus, the most appropriate tool for measuring internal consistency (the extent to which all the items in a test measure the same concept or construct) of an instrument is Cronbach’s alpha (this is derived from the average inter-correlations of items and the number of items in the measurement scale) which is expressed as a number between 0 and 1 with 0 being low reliability and 1 being high reliability. This study used Cronbach’s alpha of 0.7 to measure internal consistency according to the recommendations of Tavakol and Dennick (2011).

### 3.5.3 Reliability of Pilot Test Results

The pilot involved questionnaires, which were administered to 15 individuals from the Unit Trust industry. The reliability of the pilot test results was computed as follows.

$$\alpha = \left( \frac{k}{k-1} \right) \left( 1 - \frac{\sum_{i=1}^k S_i^2}{S_x^2} \right)$$

Where:

$\alpha$  is Cronbach’s Alpha

k is the number of items (that is, the number of questions)

$S_i^2$  is the sum of the item variances

$S_x^2$  is the variance of the total score

Thus,  $\alpha = (30/30-1)(1 - 29.11/170.9) = 0.858$

According to the formula above, the Cronbach’s Alpha score for the pilot test results is 0.858, which is with the acceptable range of internal consistency and indicates that the instrument is

reliable as far as the pilot test results are concerned. Additionally, the reliability analysis featured the Cronbach's Alpha scores for all the study variables, which were captured in the Table 3.3.

**Table 3. 3: Reliability Statistics**

Variable	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
Combined	.858	.875	30
Savings Culture	.701	.650	6
Financial Literacy	.705	.695	6
Parental Socialisation	.715	.725	6
Peer Influence	.722	.746	6
Level of Income	.759	.749	6

Source: Author (2024)

According to the results in Table 3.3, each of the variables had Cronbach's Alpha scores above the 0.7 threshold indicating that they all had acceptable levels of internal consistency.

### 3.6 Data Analysis

Data analysis refers to the systematic application of logical and statistical methods in articulating, symbolising, summarising, and evaluation of data (Cohen, et al., 2017). Data analysis can be either qualitative or quantitative. The former refers to the use of content analysis or grounded theory to arrange, explain, or account for data. The latter is the use of statistical on numerical data. This study applied a 5-point Likert Scale then the Statistical Package for Social Sciences (SPSS) (version 20) was used to carry out descriptive and inferential statistical analysis. The descriptive statistical analysis involved the use of measures of central tendency, mean and standard deviation for all the responses to the questions posed under each variable. The inferential statistical analysis featured Pearson Correlation analysis which involved the determination of the magnitude and direction of association between each of the independent

variables and the dependent variable; as well as the multiple regression analysis which included an assessment of the predictive ability of the regression model to explain changes in the dependent variable, analysis of variance, and beta coefficient analysis. Finally, the results were presented using a mixture of tables and graphs.

The analysis used a multiple regression model to capture the variables of the study as follows:

$$SC = \beta_0 + \beta_1FT + \beta_2PS + \beta_3PI + \beta_4LI + \varepsilon$$

Where;

SC = Savings Culture in Unit Trusts

FT = Financial Literacy

PS = Parental Socialisation

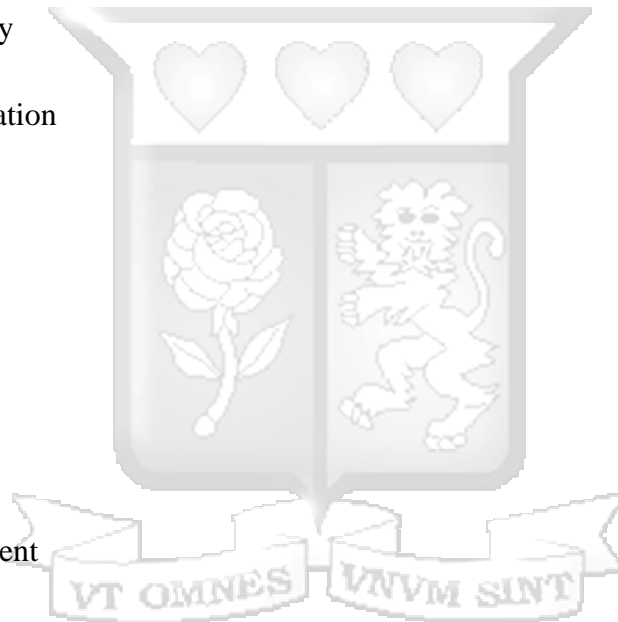
PI = Peer Influence

LI = Level of Income

$\varepsilon$  = the error term

$\beta_0$  = the constant term

$\beta_{1-4}$  = the Beta coefficient



### 3.7 Diagnostic Tests

The study conducted normality, multicollinearity, heteroscedasticity, and linearity tests to confirm the appropriateness of the multiple regression model for the pilot study. These will be explained in more detail in the following sections.

#### 3.7.1 Multicollinearity Test

According to Shrestha (2020), multicollinearity is a phenomenon that occurs when several variables that correlated significantly both with each other and with the dependent variable are

included in the multiple regression analysis. Multicollinearity can result in skewness and faulty results when the researcher seeks to establish the extent of the effectiveness of each factor in explaining the response variable in a statistical model. Thus, three techniques can be applied in detecting multicollinearity: using the pairwise scatterplot and correlation coefficients, the variance inflation factor (VIF), and the eigenvalue method. Using the pairwise scatterplot and correlation coefficients, whenever the correlation coefficient value is higher (typically close to a Pearson correlation coefficient of 0.8) with the pairwise variables, then there is multicollinearity.

The VIF method is applied in the measurement of the extent to which the variance of the estimated regression coefficient is inflated whenever the independent variables are correlated. It is the reciprocal of the tolerance. The lower the tolerance, the higher the possibility of multicollinearity. Lastly, the eigenvalue method represents the variance of the linear combination of the variables. Given that the summation of the eigenvalues always equals the number of independent variables then very small values (about 0.05) indicate the existence of multicollinearity. The study applied the VIF method for detecting multicollinearity. SPSS was used for calculating a VIF for each independent variable. VIFs start at 1 and have no upper limit. A value of 1 indicates that there is no correlation between this independent variable and any others. VIFs between 1 and 5 suggest that there is a moderate correlation, but it is not severe enough to warrant corrective measures. VIFs greater than 5 represent critical levels of multicollinearity where the coefficients are poorly estimated, and the p-values are questionable.

### **3.7.2 Normality Test**

Ghasemi and Zahediasl (2013) explained that normality tests are used in establishing whether the assumption of normality, that the data follows a normal distribution, holds. Normality can be undertaken using visual methods by visually inspecting the distribution of the data in histograms, stem-and-leaf plot, boxplot, probability-probability (P-P) plot, and quantile-quantile (Q-Q) plot. Thus, if the shape of the distribution of the data is construed to be bell shaped then this is a normal distribution. However, owing to the inherent inaccuracies in the visual methods, more accurate statistical normality tests can be conducted including the Kolmogorov-Smirnov (K-S) test, Lilliefors corrected K-S test, the Shapiro-Wilk test, the

Anderson-Darling test, just to name a few. The most popular of these are the K-S and the Shapiro-Wilk test. These tests make comparisons between sample scores and a set of normally distributed scores with identical mean and standard deviation. The data is interpreted to be not normally distributed if the test is significant. The K-S test is usually applied when the sample size is more than 50 while the Shapiro-Wilk test is used when the sample size is less than 50. The study used the Shapiro-Wilk test (due to the small sample size) to test normality.

### **3.7.3 Heteroscedasticity Test**

According to Astivia and Zumbo (2019), heteroscedasticity refers to the notion that, following the inclusion of the predictors in the regression model, the remaining residual variability changes are dependent on factors that are not included in the model. It occurs when a predicted variable's standard deviations when observed over different values of an independent variable are not constant. Heteroscedasticity seeks to disapprove the inherent regression assumption of homoscedasticity, that the variance of the error term is consistent across all measures of the model. It can be tested visually through the use of scatter plots by observing the pattern the data will take such that data which follows a cone shape is deemed to heteroscedastic. When the data takes on such a shape it cannot be used to perform a normal type of linear regression owing to the lack of constancy in the value of the variance. It can be tested using the Breusch-Pagan test which uses a normal chi square test where a significant result is said to be heteroscedastic. This method requires the data to be normally distributed otherwise it will yield false results. This study used the Breusch-Pagan test of heteroscedasticity.

### **3.7.4 Linearity Test**

Yu *et al.* (2016) affirmed that linearity occurs when the predictor variables in the regression model have a straight-line relationship with the outcome variable. Using the ANOVA output one can determine whether there is a linear relationship between the predictor variables and the outcome variable by checking the significance. Thus, when the significance is higher than 0.05 then it can be concluded that there is a linear relationship while the reverse is true when the significance is less than 0.05. The study used the ANOVA output to test for linearity.

### **3.8 Ethical Considerations**

Akaranga and Makau (2016) referred to ethics as a concept that encompasses activities, rules, values and practices that establish whether something is right or wrong. Ethical issues include: informed consent which establishes whether a person has provided their consent knowingly, voluntarily and intelligently, beneficence which establishes whether individuals have provided committed to ensuring that they do no harm, respect for anonymity (making sure that the identity of an individual is protected), confidentiality (keeping the sensitive information pertaining to an individual secret), respect for privacy (an individual's right to control which information can be shared), concern for vulnerable groups of people, not interviewing minors unless with the express consent of their guardians or parents, and conducting research competently. This study addressed ethical issues by seeking informed and voluntary consent from all participants in advance, committing to doing no physical or mental harm, respecting anonymity and confidentiality as well as privacy. Clearance from the Strathmore University's ethical review committee was also obtained as well as the research permit from the National Commission for Science, Technology and Innovation (NACOSTI).

### **3.9 Chapter Summary**

This chapter described in detail the various components of the research methodology that the study proposes to apply. It started off with the research philosophy where the attributes of various research philosophies were discussed and then the rationale for the choice of research philosophy was articulated. Thereafter, the research design, target population and data collection methods were explained. The chapter finished off with a discussion on the data collection methods, research quality, data analysis, diagnostic tests, and ethical considerations.

## CHAPTER FOUR

### PRESENTATION OF RESULTS

#### 4.1 Introduction

In this chapter the findings of the study are presented. The study sought to find out the determinants of the adoption of unit trusts for savings among young adults aged 18-24 in Nairobi County, Kenya. The research findings include the general information pertaining to the results, the pilot test results, demographic information, the descriptive statistics and the inferential statistics. The presentation of the findings will involve the data from SPSS on each of the variables in tables and figures then the analysis and interpretation of the same and a summary of the findings.

#### 4.2 Response Rate

The response rate refers to the number of respondents as a proportion of the total number of intended questionnaires or interviews conducted (Morton *et al.*, 2012). The study administered a total of 216 (36 unit trust × 6 respondents) questionnaires but only 121 were responded to, representing a response rate of 56% which was just below the 60-70% threshold recommended by Morton *et al.* (2012) for social research studies.

**Table 4. 1: Response Rate**

	Number	Percentage
Questionnaires that were responded to	121	56%
Questionnaires that were not responded to	95	44%
Total Number of Questionnaires	216	100%

Source: Author (2024)

#### 4.3 Demographic Characteristics of the Respondents

The demographic characteristics of the respondents are captured in Table 4.2. According to results, out of total of 121 respondents, 65 were male while 56 were female representing 54% and 46%, respectively. This is an indicator that the gender distribution of the young adults who frequent the unit trust funds is quite fair. Additionally, it is a reflection of the fact that the awareness and usage of unit trust fund products amongst the young adults is well established

in both males and females. Additionally, of 121 respondents, 48 earned less than 10,000 KES., 39 earned between 10,000 and 39,999 KES., 17 earned between 40,000 and 69,999 KES., 7 earned between 70,000 and 99,999 KES and 10 earned above 100,000 KES. per month. This is an indicator that the vast majority of young adults earn less than 40,000 KES per month. It further shows that one of the challenges that young adults have been experiencing in their efforts to adopt a savings culture in unit trusts is the lack of adequate disposable income.

According to the results, out of 121 respondents, 85 had been visiting the unit trusts for less than 1 year, 29 for between 1 and 5 years, 3 for 6 to 10 years, and 4 for over 10 years, representing 70%, 24%, 2.5% and 3.3%, respectively. This is an indicator that the majority of young adults had been visiting the trust funds for less than 5 years which is a reflection of a poor level of longevity of association with the trust funds amongst the young adults in the 18-24 cohort in Nairobi. The implication is that the unit trust funds need to carry out surveys amongst this cohort to determine their level of satisfaction with their products so as to make improvements where possible. Further, out of a total of 121 respondents, 10 were between 18 and 19 years, 27 were between 20 and 21 years, 27 were between 22 and 23 years, and 57 were between 23 and 24 years of age, representing 8%, 22%, 22%, and 47%, respectively. This is a reflection of the fact that the most of the young adults who visit the unit trust funds are between the age of 23 and 24 years of age and that there is a direct correlation between maturity of the individuals and their interest in investing or saving in unit trust funds. The unit trusts should, therefore, come up with marketing strategies that target this critical cohort such as visiting high schools and universities so as to boost the interest in their products. Lastly, out of a total of 121 respondents, 13 had up to high school level, 16 had up to tertiary college level, 86 had up to undergraduate level, and 6 had up to postgraduate level, representing 11%, 13%, 71%, and 5%, respectively. This is an indicator that the majority of the young adults who frequent the unit trust funds had undergraduate education and that this is a critical determinant of their involvement in saving in unit trust funds. This reinforces the need for unit trust fund managers to develop promotional strategies that target universities as a means of enhancing the uptake of their products amongst this cohort.

**Table 4. 2: Demographic Characteristics of the Respondents**

<b>Demographic</b>	<b>Distribution</b>	<b>Interpretation</b>
Gender	Male - 54%, Female - 46%	Fairly good gender diversity
Income	<10k - 40%; 10k-40k - 32%; 40k-70k - 14%; 70k-100k - 6%; >100k - 8%	Most young adults struggle to make enough to save
Duration	<1 yr - 70%; 1-5 yrs - 24%; 6-10 yrs - 2%; >10 yrs - 3%	Poor level of longevity of association with the trust funds
Age	18-19, 8%; 20-21, 22%; 22-23; 22%; 23-24, 47%	There is a direct correlation between maturity of the individuals and their interest in investing or saving in unit trusts
Education	High School - 11%; Tertiary - 13%; Undergraduate - 71%; Postgraduate - 5%	Education is a critical determinant of young adults' involvement in saving in unit trust funds.

#### 4.4 Descriptive Analyses

##### 4.4.1 Financial Literacy and Savings Culture in Unit Trusts amongst Young Adults

The descriptive results of financial literacy are presented in Table 4.2. According to the results, the statement “my investment or savings practices reflect my level of financial literacy” had a mean score of 3.7273 indicating that most of the respondents were in agreement with it which affirmed the findings of Mwobobia (2022). Additionally, the statement “I have been able to carry out technical and fundamental analysis which has enabled me to make informed investment decisions” had a mean of 3.5207 indicating that the majority of respondents affirmed it which corroborated Oluoch (2021).

The results also showed that the statement “I have gained financial numeracy and financial knowledge which has improved my financial planning” had a mean of 3.9339 indicating that the majority of respondents agreed with it and was consistent with the findings of Maina (2018). Further, the statement “I have gained skills through financial trainings which have enabled me to earn enough money to save” had a mean of 3.3140 indicating a high level of affirmation by the respondents and confirming the findings of Rotich (2018).

The statement, “inadequate financial planning skills due to resource constraints have resulted in poor debt management” had a mean of 3.5702 indicating a high endorsement by the vast majority of respondents which was aligned with the findings of Maina (2018). Lastly, the statement, “as a youth, I have trained in budgeting which has enhanced my debt management and boosted my ability to save” had a mean of 3.7438 indicating a high level of affirmation by the respondents which echoed the findings of Oyando *et al.* (2017). All the statements had standard deviations that ranged between 0.77175 and 1.11674 indicating that there was little variation in each of the responses with the average responses.

**Table 4. 3: Descriptive Statistics of Financial Literacy for Young Adults**

	N	Minimum	Maximum	Mean	Std. Deviation
My investment or savings practices reflect my level of financial literacy.	121	1.00	5.00	3.7273	1.04881
I have been able to carry out technical and fundamental analysis which has enabled me to make informed investment decisions.	121	1.00	5.00	3.5207	.90461
I have gained financial numeracy and financial knowledge which has improved my financial planning.	121	2.00	5.00	3.9339	.77175
I have gained skills through financial trainings which have enabled me to earn enough money to save.	121	1.00	5.00	3.3140	.95771
Inadequate financial planning skills due to resource constraints have resulted in poor debt management.	121	1.00	5.00	3.5702	1.11674
As a youth, I have trained in budgeting which has enhanced my debt management and boosted my ability to save.	121	1.00	5.00	3.7438	.96202
Valid N (listwise)	121				

Source: Author (2024)

#### 4.4.2 Parental Socialisation and Savings Culture in Unit Trusts amongst Young Adults

The results of the descriptive statistics of parental socialisation are captured in Table 4.3. According to the results, the statement “I have learned my financial management from my parents” had a mean score of 3.0496 indicating that most of the respondents were in agreement with it which affirmed the findings of Antoni *et al.* (2019). Additionally, the statement “the two most critical influences of my parents on my financial behaviour are observation and interaction with my parents” had a mean of 3.5041 indicating that the majority of respondents affirmed it which corroborated NorAzman and Muhammed (2017).

The results also showed that the statement “the introduction of a number of technological innovations such as the Internet has reduced the societal expectation of my parents to control my behaviour” had a mean of 3.5124 indicating that the majority of respondents agreed with it and was consistent with the findings of Sharif and Naghavi (2017). Further, the statement “my parents have inculcated proper financial habits and practices in me from an early age” had a mean of 3.5124 indicating a high level of affirmation by the respondents and confirming the findings of Bakar and Bakar (2020).

The statement, “I come from a poor background and was expected to assume responsibilities for providing for my family” had a mean of 2.7438 indicating a marginally positive endorsement by the respondents which affirmed the findings of Chowa and Despard (2014). Lastly, the statement, “I have been more socialised which made me more responsive to financial teaching and monitoring by getting more involved in family budgeting” had a mean of 3.5372 indicating a high level of affirmation by the respondents which echoed the findings of Sruthiya (2021). All the statements had standard deviations that ranged between 0.96645 and 1.32823 indicating that there was little variation in each of the responses with the average responses.

**Table 4. 4: Descriptive Statistics of Parental Socialisation of Young Adults**

	N	Minimum	Maximum	Mean	Std. Deviation
I have learned my financial management from my parents.	121	1.00	5.00	3.0496	1.32823
The two most critical influences of my parents on my financial behaviour are observation and interaction with my parents.	121	1.00	5.00	3.5041	1.23911
The introduction of a number of technological innovations such as the Internet has reduced the societal expectation of my parents to control my behaviour.	121	1.00	5.00	3.5124	1.08102
My parents have inculcated proper financial habits and practices in me from an early age.	121	1.00	5.00	3.5124	1.29818
I come from a poor background and was expected to assume responsibilities for providing for my family.	121	1.00	5.00	2.7438	1.12937
I have been more socialised which made me more responsive to financial teaching and monitoring by getting more involved in family budgeting.	121	2.00	5.00	3.5372	.96645
Valid N (listwise)	121				

Source: Author (2024)

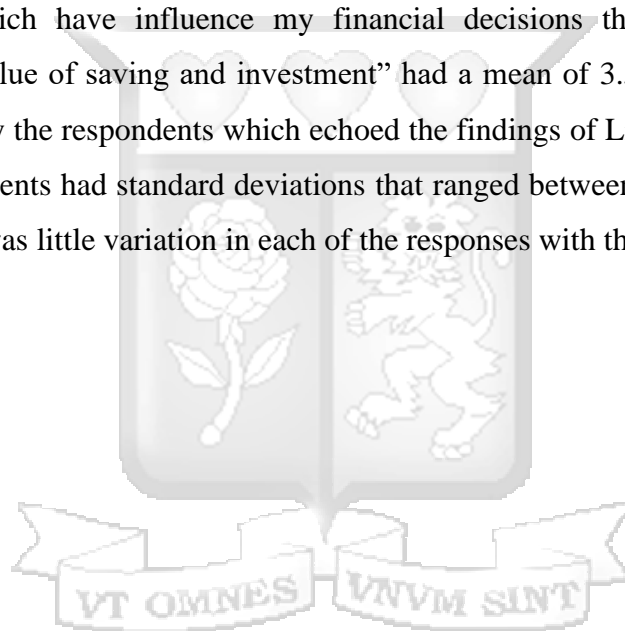
#### 4.4.3 Peer Influence and Savings Culture in Unit Trusts amongst Young Adults

The results of the descriptive statistics for peer influence are presented in Table 4.4. According to the results, the statement “I have a strong compunction to identify with my social group” had a mean score of 3.2645 indicating that most of the respondents were in agreement with it which affirmed the findings of Gulati (2017). Additionally, the statement “My home environment is stable” had a mean of 3.4711 indicating that the majority of respondents affirmed it which corroborated Osei (2019).

The results also showed that the statement “I have had low self-esteem which has made me more of a follower rather than a leader and so my financial decision making is shaped by others

in my social group” had a mean of 2.1818 indicating that the majority of respondents disagreed with it and contradicted the findings of Hubers (2019). Further, the statement “I have had low self-esteem, am reclusive by nature and seek non-physical mediums of interaction with my peers such as social media where I am likely to follow trends on the management of finances” had a mean of 2.5124 indicating a moderate level of affirmation by the respondents and partially confirming the findings of Kadir *et al.* (2021).

The statement, “the level of commitment by members of my social group during the formative years has influenced the strength of the bonds between me and other members of the group.” had a mean of 3.3306 indicating a very high endorsement by the vast majority of respondents which was aligned with the findings of Obiunu (2015). Lastly, the statement, “I have had strong friendship bonds which have influence my financial decisions through the sharing of information on the value of saving and investment” had a mean of 3.5702 indicating a high level of affirmation by the respondents which echoed the findings of Lieber and Skimmyhorn (2018). All the statements had standard deviations that ranged between 1.02470 and 1.27651 indicating that there was little variation in each of the responses with the average responses.



**Table 4. 5: Descriptive Statistics of Peer Influence of Young Adults**

	N	Minimum	Maximum	Mean	Std. Deviation
I have a strong compunction to identify with my social group.	121	1.00	5.00	3.2645	1.27651
My home environment is stable.	121	1.00	5.00	3.4711	1.09601
I have had low self-esteem which has made me more of a follower rather than a leader and so my financial decision making is shaped by others in my social group.	121	1.00	4.00	2.1818	1.02470
I have had low self-esteem, am reclusive by nature and seek non-physical mediums of interaction with my peers such as social media where I am likely to follow trends on the management of finances.	121	1.00	5.00	2.5124	1.16987
The level of commitment by members of my social group during the formative years has influenced the strength of the bonds between me and other members of the group.	121	1.00	5.00	3.3306	1.03592
I have had strong friendship bonds which have influence my financial decisions through the sharing of information on the value of saving and investment.	121	1.00	5.00	3.5702	1.08648
Valid N (listwise)	121				

Source: Author (2024)

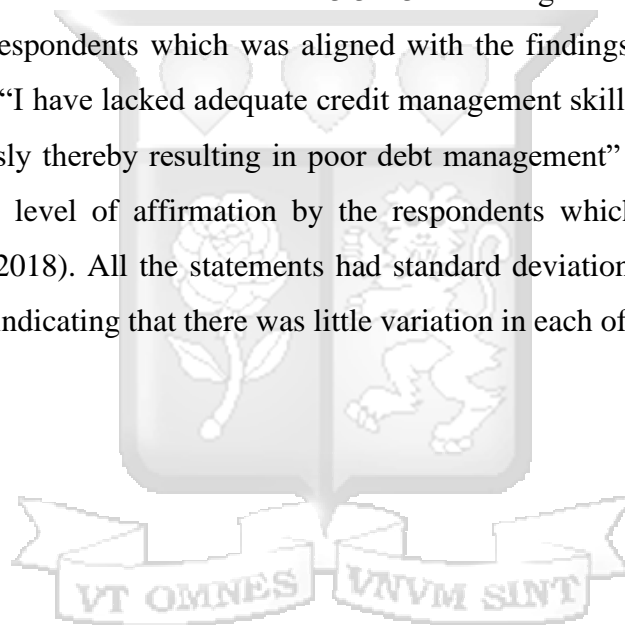
#### 4.4.4 Level of Income and Savings Culture in Unit Trusts amongst Young Adults

The results of the descriptive statistics of level of income are shown in Table 4.5. According to the results, the statement “my financial education has equipped me with skills and knowledge that are in demand in companies enabling me to earn higher income levels and also to save.” had a mean score of 3.6116 indicating that most of the respondents were in agreement with it which affirmed the findings of Frisancho (2020). Additionally, the statement “the expense involved in acquiring higher qualifications has made it difficult for me to afford them” had a

mean of 3.2479 indicating that the majority of respondents affirmed it which corroborated Fraczek and Klimontowicz (2015).

The results also showed that the statement “my level of experience has enabled me to make sound financial decisions” had a mean of 4.1488 indicating that the majority of respondents agreed with it and was consistent with the findings of Khalid (2020). Further, the statement “training initiatives have enabled me to gain the financial skills necessary to boost my earnings and to save” had a mean of 3.7686 indicating a high level of affirmation by the respondents and confirming the findings of Wanja (2014).

The statement, “my financial capability to save has been influenced by unemployment or employment as a casual worker” had a mean of 3.3223 indicating a very high endorsement by the vast majority of respondents which was aligned with the findings of Kiai *et al.* (2016). Lastly, the statement, “I have lacked adequate credit management skills which has compelled me to borrow recklessly thereby resulting in poor debt management” had a mean of 2.7603 indicating a marginal level of affirmation by the respondents which partially echoed the findings of Odongo (2018). All the statements had standard deviations that ranged between 0.72642 and 1.19174 indicating that there was little variation in each of the responses with the average responses.



**Table 4. 6: Descriptive Statistics of Level of Income for Young Adults**

	N	Minimum	Maximum	Mean	Std. Deviation
My financial education has equipped me with skills and knowledge that are in demand in companies enabling me to earn higher income levels and also to save.	121	1.00	5.00	3.6116	1.13558
The expense involved in acquiring higher qualifications has made it difficult for me to afford them.	121	1.00	5.00	3.2479	1.09758
My level of experience has enabled me to make sound financial decisions.	121	1.00	5.00	4.1488	.72642
Training initiatives have enabled me to gain the financial skills necessary to boost my earnings and to save.	121	1.00	5.00	3.7686	1.06270
My financial capability to save has been influenced by unemployment or employment as a casual worker.	121	1.00	5.00	3.3223	1.19174
I have lacked adequate credit management skills which has compelled me to borrow recklessly thereby resulting in poor debt management.	121	1.00	5.00	2.7603	1.21809
Valid N (listwise)	121				

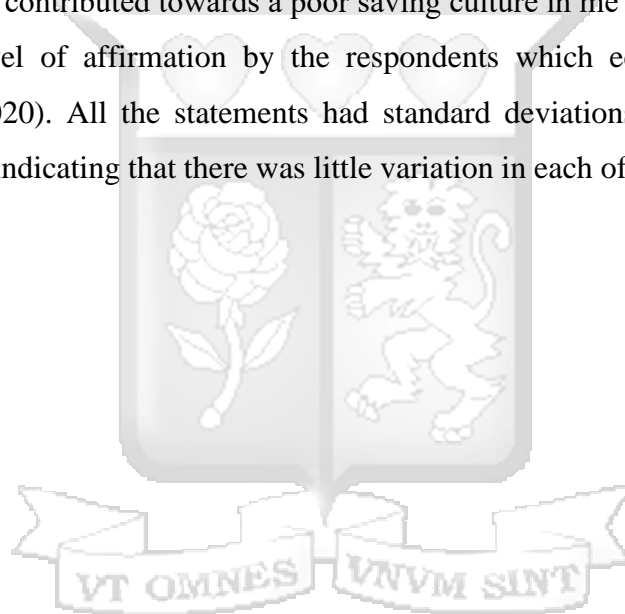
Source: Author (2024)

#### 4.4.5 Savings Culture in Unit Trusts amongst Young Adults

The results of the descriptive statistics of savings culture are captured in Table 4.6. According to the results, the statement, the statement “a high fashion awareness and the need to conform to the lifestyles of my peers drives me to spend a significant portion of my income on clothing” had a mean score of 2.6612 indicating that there was a marginal level of agreement with it which affirmed the findings of Abrar *et al.* (2021). Additionally, the statement “given the fact that I am more technologically savvy than most other cohorts, strategies which seek to make me more responsible need to incorporate the use of technology” had a mean of 3.5041 indicating that the majority of respondents affirmed it which corroborated Knapp, *et al.* (2017).

The results also showed that the statement “I am more focused on establishing and implementing financial goals in order to achieve financial success” had a mean of 4.0909 indicating that the majority of respondents agreed with it and was consistent with the findings of Oriji *et al.* (2023). Further, the statement “I have experienced challenges making enough revenue to save” had a mean of 3.7686 indicating a high level of affirmation by the respondents and confirming the findings of Owusu *et al.* (2020).

The statement, “I tend to have impulsive consumption behaviours, to alternate between brands, however, and am also knowledgeable about financial management” had a mean of 3.6529 indicating a very high endorsement by the vast majority of respondents which was aligned with the findings of Musinguzi *et al.* (2020). Lastly, the statement, “a low literacy level and lack self-control have both contributed towards a poor saving culture in me” had a mean of 3.1074 indicating a high level of affirmation by the respondents which echoed the findings of Sengezener *et al.* (2020). All the statements had standard deviations that ranged between 0.95851 and 1.40120 indicating that there was little variation in each of the responses with the average responses.



**Table 4. 7: Descriptive Statistics of Savings Culture of Young Adults**

	N	Minimum	Maximum	Mean	Std. Deviation
A high fashion awareness and the need to conform to the lifestyles of my peers drives me to spend a significant portion of my income on clothing.	121	1.00	5.00	2.6612	1.28162
Given the fact that I am more technologically savvy than most other cohorts, strategies which seek to make me more responsible need to incorporate the use of technology	121	1.00	5.00	3.5041	.95851
I am more focused on establishing and implementing financial goals in order to achieve financial success.	121	1.00	5.00	4.0909	1.13284
I have experienced challenges making enough revenue to save.	121	1.00	5.00	3.7686	.99800
I tend to have impulsive consumption behaviours, to alternate between brands, however, and am also knowledgeable about financial management.	121	1.00	5.00	3.6529	1.01416
A low literacy level and lack self-control have both contributed towards a poor saving culture in me.	121	1.00	5.00	3.1074	1.40120
Valid N (listwise)	121				

Source: Author (2024)

## 4.5 Diagnostic Test Results

### 4.5.1 Multicollinearity Test

The results of the Multicollinearity Test for the Pilot Study are shown in Table 4.7. According to the results, the VIFs for four independent variables were 4.753, 1.472, 2.662 and 2.594, for Financial Literacy, Parental Socialisation, Peer Influence, and Level of Income, respectively. Given that these values were greater than 1 and less than 10 then it is apparent that there is no multicollinearity. In other words, there is no strong relationship between each of the independent variables and the dependent variable and are, thus statistically significant meaning that they contribute significantly to the model when each of them is included. This confirms the suitability of the multiple regression model for the pilot.

**Table 4. 8: Multicollinearity Test Results**

Model	Coefficients <sup>a</sup>	
	Tolerance	VIF
(Constant)		
Financial Literacy	.210	4.753
Parental Socialisation	.679	1.472
Peer Influence	.376	2.662
1 Level of Income	.385	2.594

a. Dependent Variable: Savings Culture

Source: Author (2024)

### 4.5.2 Normality Test

The results of the normality test for the pilot study are presented in Tables 4.8 to 4.11. It should be noted that since the sample size for the pilot was only 11, the K-S test will apply rather than the Shapiro-Wilk test. According to the results, the p-value for Financial Literacy was 0.000 indicating that it was statistically significant and, therefore, not normally distributed. Additionally, the p-value for Parental Socialisation was 0.161 indicating that it was not statistically significant and, therefore, normally distributed. Further, the p-value for Peer Influence was 0.000 indicating that it was statistically significant and, therefore, not normally

distributed. Finally, the p-value for Level of Income was 0.000 indicating that it was statistically significant and, therefore, not normally distributed.

**Table 4. 9: Normality Test Results for Financial Literacy**

		<b>Tests of Normality<sup>b</sup></b>					
		Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
Financial Literacy		Statistic	df	Sig.	Statistic	df	Sig.
	Neutral	.492	6	.000	.496	6	.000
Savings Culture	Agree	.385	3		.750	3	.000

a. Lilliefors Significance Correction

b. Savings Culture is constant when Financial Literacy = Strongly agree. It has been omitted.

Source: Author (2024)

**Table 4. 10: Normality Test Results for Parental Socialisation**

		<b>Tests of Normality<sup>a,c</sup></b>					
		Kolmogorov-Smirnov <sup>b</sup>			Shapiro-Wilk		
Parental Socialisation		Statistic	df	Sig.	Statistic	df	Sig.
Savings Culture	Agree	.300	5	.161	.883	5	.325

a. Savings Culture is constant when Parental Socialisation = Neutral. It has been omitted.

b. Lilliefors Significance Correction

c. Savings Culture is constant when Parental Socialisation = Strongly agree. It has been omitted.

Source: Author (2024)

**Table 4. 11: Normality Test Results for Peer Influence**

		<b>Tests of Normality<sup>b</sup></b>					
		Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
Peer Influence		Statistic	df	Sig.	Statistic	df	Sig.
	Neutral	.260	2				
Savings Culture	Agree	.504	7	.000	.453	7	.000

a. Lilliefors Significance Correction

b. Savings Culture is constant when Peer Influence = Strongly agree. It has been omitted.

Source: Author (2024)

**Table 4. 12: Normality Test Results for Level of Income**

		Tests of Normality <sup>a,c</sup>					
		Kolmogorov-Smirnov <sup>b</sup>			Shapiro-Wilk		
Level of Income		Statistic	df	Sig.	Statistic	df	Sig.
Savings Culture	Agree	.504	7	.000	.453	7	.000

a. Savings Culture is constant when Level of Income = Neutral. It has been omitted.

b. Lilliefors Significance Correction

c. Savings Culture is constant when Level of Income = Strongly agree. It has been omitted.

Source: Author (2024)

### 4.5.3 Heteroscedasticity Test

The findings relating to the Heteroscedasticity Test are shown in Table 4.12. According to the results, using the Breusch Pagan test, it can be observed that the p-value was 0.014 which is below 0.05 indicating that it is statistically significant and confirming heteroscedasticity. This means that the standard errors that are in the output table of the regression are not reliable.

**Table 4. 13: Results of the Heteroscedasticity Test**

ANOVA <sup>a</sup>					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	.121	4	.030	8.092	.014 <sup>b</sup>
Residual	.023	6	.004		
1 Total	.144	10			

a. Dependent Variable: sqres (Square of the Residuals for Savings Culture)

b. Predictors: (Constant), Level of Income, Parental Socialisation, Peer Influence, Financial Literacy

Source: Author (2024)

### 4.5.4 Linearity Test

The results of the Linearity test for the pilot study are shown in Tables 4.13 to 4.16. According to the results, the level of significance for the relationship between Financial Literacy and Savings Culture was 0.01 while the deviation from linearity is also 0.792 indicating the presence of a linear relationship but a lack of significant deviation from linearity. Additionally, the level of significance for the relationship between Parental Socialisation and Savings Culture was 0.008 while the deviation from linearity is also 0.147 indicating the presence of a linear

relationship but a lack of significant deviation from linearity. Further, the level of significance for the relationship between Peer Influence and Savings Culture was 0.007 while the deviation from linearity is also 0.689 indicating the presence of a linear relationship but a lack of significant deviation from linearity. Lastly, the level of significance for the relationship between Level of Income and Savings Culture was 0.003 while the deviation from linearity is also 0.022 indicating the presence of a linear relationship as well as a significant deviation from linearity.

**Table 4. 14: Linearity Test results for Financial Literacy**

			ANOVA Table				
			Sum of Squares	df	Mean Square	F	Sig.
Savings Culture *	Between Groups	(Combined)	2.136	2	1.068	5.697	.029
		Linearity	2.122	1	2.122	11.320	.010
		Deviation from Linearity	.014	1	.014	.074	.792
Financial Literacy	Within Groups	1.500	8	.188			
Total			3.636	10			

Source: Author (2024)

**Table 4. 15: Linearity Test results for Parental Socialisation**

			ANOVA Table				
			Sum of Squares	df	Mean Square	F	Sig.
Savings Culture *	Between Groups	(Combined)	1.636	2	.818	3.273	.092
		Linearity	.991	1	.991	3.965	.008
		Deviation from Linearity	.645	1	.645	2.581	.147
Parental Socialisation	Within Groups	2.000	8	.250			
Total			3.636	10			

Source: Author (2024)

**Table 4. 16: Linearity Test results for Peer Influence**

			ANOVA Table				
			Sum of Squares	df	Mean Square	F	Sig.

		(Combined)	2.279	2	1.140	6.718	.019
Savings Culture * Peer Influence	Between Groups	Linearity	2.250	1	2.250	13.263	.007
		Deviation from Linearity	.029	1	.029	.172	.689
		Within Groups	1.357	8	.170		
	Total	3.636	10				

Source: Author (2024)

**Table 4. 17: Linearity Test results for Level of Income**

			ANOVA Table				
			Sum of Squares	df	Mean Square	F	Sig.
Savings Culture * Level of Income	Between Groups	(Combined)	2.779	2	1.390	12.970	.003
		Linearity	1.911	1	1.911	17.839	.003
		Deviation from Linearity	.868	1	.868	8.100	.022
	Within Groups	.857	8	.107			
	Total	3.636	10				

Source: Author (2024)

## 4.6 Inferential Analyses

### 4.6.1 Correlation Analysis

Schober *et al.* (2018) defined correlation coefficients as measures of the magnitude of association that exists between one variable when gauged against a change in the magnitude of another. Additionally, Pearson correlation coefficients are typically applied for data that is characterised by a bivariate normal distribution. The results pertaining to the Pearson correlation coefficients of the study are presented in Table 4.17. According to results, all the independent variables (Financial Literacy, Parental Socialisation, Peer Influence, and Level of Income) have positive correlations of  $r = 0.485$ ,  $r = 0.509$ ,  $r = 0.554$ , and  $r = 0.543$  with the dependent variable (Savings Culture). Additionally, the p-values for were  $\leq 0.05$  indicating the

existence of a statistically significant relationship between each one of them and the dependent variable as suggested by Di Leo and Sardanelli (2020).

**Table 4. 18: Pearson Correlation Coefficients**

		Financial Literacy	Parental Socialisation	Peer Influence	Level of Income	Savings Culture
Financial Literacy	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	121				
Parental Socialisation	Pearson Correlation	.364**	1			
	Sig. (2-tailed)	.000				
	N	121	121			
Peer Influence	Pearson Correlation	.429**	.432**	1		
	Sig. (2-tailed)	.000	.000			
	N	121	121	121		
Level of Income	Pearson Correlation	.481**	.456**	.475**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	121	121	121	121	
Savings Culture	Pearson Correlation	.485**	.509**	.554**	.543**	1
	Sig. (2-tailed)	.002	.001	.000	.000	
	N	121	121	121	121	121

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

Source: Author (2024)

#### 4.6.2 Regression Analysis

Multiple linear regression is a statistical technique that is conducted in order to forecast the values of an outcome variable, *Y*, given a collection of explanatory variables (Jeon, 2015). The multiple regression model summaries of the study are captured in Tables 4.18. According to the results, the R Square value of multiple regression model relating to unit trust fund staff is

0.583 or 58.3% indicating that the model can be used to explain alterations in the outcome variable 58.3% of the time. This is a demonstration of the goodness-of-fit of the model.

**Table 4. 19: Multiple Regression Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.628 <sup>a</sup>	.583	.550	.65109

a. Predictors: (Constant), Level of Income, Parental Socialisation, Financial Literacy, Peer Influence

Source: Author (2024)

The second component of the multiple regression analysis is the Analysis of Variance (ANOVA). ANOVA refers to a bivariate statistical tool that is applied in the determination of significant distinctions in the means among three or more groups (Gelman, 2005). The results of the ANOVA of the study are presented in Tables 4.19. According to the results, the calculated value  $F_{cal}$  at 5% level of significance is equivalent to 6.502, which is greater than the F critical value ( $F_{crit}$ ) of 2.45 indicating that there is a significant relationship between all the independent variables and the dependent variable of Savings Culture. The p-value of 0.000 is less than 0.05 indicating that there is a statistically significant relationship between each of the independent variables and Savings Culture as per the recommendations of Di Leo and Sardanelli (2020). This demonstrates the goodness of fit of the model.

**Table 4. 20: ANOVA Statistics**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	11.024	4	2.756	6.502	.000 <sup>b</sup>
	Residual	49.174	116	.424		
1	Total	60.198	120			

a. Dependent Variable: Savings Culture

b. Predictors: (Constant), Level of Income, Parental Socialisation, Financial Literacy, Peer Influence

Source: Author (2024)

The results of the Beta Coefficients of the study variables are shown in Table 4.20. The values of the constants and coefficients enabled the generation of the following multiple regression model:

$$SC = \beta_0 + \beta_1FT + \beta_2PS + \beta_3PI + \beta_4LI + \varepsilon = 1.549 + 0.082FT + 0.114PS + 0.189PI + 0.181LI + 0.398$$

According to the equation, taking all the predictor variables to be zero, Savings Culture will be a constant equivalent to 1.549. The beta coefficients of the study variables were 0.082, 0.114, 0.189, and 0.181 for Financial Literacy, Parental Socialisation, Peer Influence, and Level of Income, respectively. More specifically, *ceteris paribus*, a unit change in Financial Literacy would lead to change of 0.082 in Savings Culture; a unit change in Parental Socialisation would lead to a 0.114 change in Savings Culture; a unit change in Peer Influence would lead to a 0.189 change in Savings Culture; and a unit change in Level of Income would lead to a 0.181 change in Savings Culture. Lastly, the p-values for all the variables are all below 0.05, which indicates that they all have statistically significant relationships with the outcome variable.

**Table 4. 21: Beta Coefficients**

		<b>Coefficients<sup>a</sup></b>				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
	(Constant)	1.549	.398		3.889	.000
	Financial Literacy	.082	.099	.083	.828	.010
	Parental Socialisation	.114	.089	.126	1.275	.005
	Peer Influence	.189	.101	.190	1.872	.004
1	Level of Income	.181	.123	.155	1.472	.004

a. Dependent Variable: Savings Culture

Source: Author (2024)

#### 4.7 Chapter Summary

This chapter dealt with the presentation of research findings which featured the response rate, demographic characteristics of the respondents, descriptive analyses, pilot test results, and inferential analyses. The demographic characteristics of the respondents encompassed information pertaining to the gender, income, duration, age and education distribution. The descriptive analyses focused on mean and standard deviations of statements pertaining to

financial literacy, parental socialisation, peer influence, level of income, and savings culture in unit trusts. The diagnostic test results featured multicollinearity, normality, heteroscedasticity and linearity tests. Finally, the chapter covered the inferential analyses which included correlation and regression analyses.



## CHAPTER FIVE

### DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter features the summary of the findings, an articulation of the resultant conclusions; and a description of the recommendations that will be derived from the conclusions. It will also include suggestions for further studies, implication of the study, and limitations of the study.

#### 5.2 Summary of Main Results

On the first objective where the study sought to determine the influence of financial literacy on the adoption of savings culture in unit trusts among the young adults, it was found that financial literacy was positively and significantly correlated with savings culture. However, the beta coefficient analysis indicated that it was the least most critical determinant of a savings culture in unit trust among the youth. The second objective sought to establish the influence of parental socialisation on savings culture in unit trust among the young adults. The study found that there was a positive and significant correlation between parental socialisation and savings culture in unit trusts among the young adults. The regression analysis indicated that parental socialisation was the third most critical determinant of savings culture in unit trusts among the young adults. The third objective was the determination of peer influence on savings culture in unit trust among the young adults. The results showed that that was a positive and significant correlation between peer influence and savings culture in unit trusts among the young adults. Additionally, the regression analysis showed that peer influence was the strongest determinant of savings culture in unit trusts among the young adults. The fourth objective investigated the influence of the level of income on savings culture in unit trusts among the young adults. The results indicated that the level of income was positively and significantly correlated with savings culture in unit trusts among the young adults. The regression analysis showed that the level of income was the second most critical determinant of savings culture in unit trusts.

## **5.3 Discussion of Results**

### **5.3.1 Financial Literacy and Savings Culture in Unit Trusts amongst Young Adults**

The study found a positive relationship between financial literacy and savings culture in unit trust among young adults indicating that financial literacy improves the adoption of a savings culture in unit trusts among young adults. The implication is that young adults who enhanced their financial literacy were more inclined to invest in savings products of unit trust funds. By leveraging on financial literacy, unit trust funds can ensure the improvement of the adoption of unit trust fund savings products by young adults. The study established strong linkages with the Consumer Socialisation Theory since it can apply in explaining the financial well-being of the young adults where the consumption behaviour of the young adults has been positively influenced by their skills, information and attitudes which was consistent with O'Guinn and Shrum (1997); and Shankar *et al.* (2022). However, Ameer and Khan (2020) argued that the Consumer Socialisation Theory there is a lack of immediacy in the application of learned knowledge in finance since young adults may be financially constrained from applying the knowledge until much later which may lead to loss of the knowledge and lessen its impact on financial behaviour.

The above results are consistent with Mwobobia (2022); Rotich (2018); and Oyando *et al.* (2017). However, they contradicted the results of Pitale and Nerlekar (2020); Owusu *et al.* (2020); and Utkarsh *et al.* (2020). The reasons for the inconsistencies were that: owing to poor debt management, millennials in India were not able to save when compared to other cohorts; parental financial conduct was more critical towards the adoption of a savings culture among the young adults than financial literacy; and there was no significant relationship between financial literacy and savings and financial well-being among young adults.

### **5.3.2 Parental Socialisation and Savings Culture in Unit Trusts amongst Young Adults**

The study established that there is a positive and significant relationship between parental socialisation and savings culture in unit trust among young adults. This indicates that young adults can enhance their adoption of savings products in unit trusts by benefiting from positive parental socialisation. This implies that young adults who have had a strong and positive

parental socialisation are more likely to invest in unit trust funds' savings financial products. Thus, unit trust funds stand to benefit in terms of the uptake of financial savings products by encouraging parents to be more engaged in their children's financial behaviour. These findings are consistent with the Consumer Socialisation Theory since the processes involved in the learning, and the progressive alterations that happen in content and learning by parents are determinants of future consumer behaviour among their children when they become young adults which corresponded positively with the findings of Kihiko (2017), and Varga *et al.* (2024). This contradicted the findings of Moreira *et al.* (2018) who established that the dynamic nature of the phenomenon of Consumer Socialisation, its relational attributes, and processes lead to ontological queries while contingent factors such as aging population, broadening of family setups, intensified usage of social networks, and diversity in gender roles have not been adequately provided for in its theoretical arguments.

The above results were consistent with NorAzman and Muhammed (2017), Sharif and Naghavi (2017), and Sruthiya (2021). However, the findings contradicted Ndou (2023), Chowa and Despard (2013), and Webley and Nyhus (2012). The reasons for the inconsistencies were: failure to find a definite connection between parental socialisation and savings amongst young black South African adults; parental socialisation was only one of several determinants of youth financial behaviour; and young adults who worked as adolescents in Norway were less likely to save regardless of the level of parental encouragement.

### **5.3.3 Peer Influence and Savings Culture in Unit Trusts amongst Young Adults**

The study established a strong correlation between peer influence and savings culture in unit trusts amongst young adults. This is an indicator that young adults who have strong peer ties are more likely to invest in unit trust funds' savings products. The implication is that unit trust funds can gain in increased adoption of savings products amongst young adults if they encourage them to engage with their peers in their financial decision making. These findings are aligned with the Consumer Socialisation Theory since peers act as socialisation agents for young adults' financial attitudes, behaviours, and beliefs (Lanz *et al.*, 2020; LeBaron-Black *et al.*, 2023). However, this contrasted with Kuria *et al.* (2023) who found that whilst peers were

significant socialisation agents for many youth, they were not as critical as financial literacy in determining their financial decision making.

The findings were consistent with Gulati (2017); Osei (2019); and Obiunu (2015). However, there contradicted the findings of Hubers (2019), Kadir *et al.* (2021), and Hayei and Khalid (2019). The reasons for the inconsistencies were: a negative correlation between low self-esteem and the adoption of a savings culture among young adults, as well as the lack of a strong correlation between peer influence and savings among young adults.

#### **5.3.4 Level of Income and Savings Culture in Unit Trusts amongst Young Adults**

The level of income was found to be strong determinant of savings culture in unit trusts amongst young adults. This indicates that young adults who are have high levels of income are better able to save in unit trusts. The implication is that poor levels of income act as deterrents to the adoption of a savings culture in unit trusts among young adults. These results are aligned with the Consumer Socialisation Theory whereby the ideals instilled in young adults from a tender age influenced their consumer behaviour which further influenced the impact of their level of income on their adoption of a savings culture in unit trusts. The results were also consistent with the Consumer Socialisation Theory since young adults who have been positively socialised end up making sound financial decisions which influence their income streams from a young age and enhance their ability to save (Ameer & Khan, 2020). However, this was contradicted by Wanjohi (2020) who established that youth's financial inclusion was unaffected by their income streams since collateral was prioritised by financial institutions over income.

These findings were consistent with Frisancho (2020), Kiai *et al.* (2016), and Odongo (2018). However, the findings contradicted Muriithi (2016), Munanda (2017), and Xian and Hassan (2019). The reasons for the inconsistencies were that whilst the level of income was found to be a determinant of savings amongst the youth, transaction costs were found to be a more critical determinant; poor financial discipline and poor spending habits hampered the young adults' ability to save regardless of the level of income; and awareness of unit trusts was the most important determinant of the adoption of a savings culture in unit trusts amongst young

professionals since individuals who had the disposable income but lacked awareness of the products were unlikely to adopt them.

#### **5.4 Conclusions**

As far as the determination the influence of financial literacy on savings culture in unit trusts among the young adults, the study concluded that young adults have gained financial numeracy and financial knowledge which has improved their financial planning, as youth, they have trained in budgeting which has enhanced their debt management and boosted their ability to save, and their investment or savings practices reflect their level of financial literacy.

The study further investigated the influence of parental socialisation on savings culture in unit trusts among the young adults. It concluded that the young adults have been more socialised which made them more responsive to financial teaching and monitoring by getting more involved in family budgeting. The introduction of a number of technological innovations such as the Internet has reduced the societal expectation of their parents to control their behaviour. The young adults' parents have inculcated proper financial habits and practices in them from an early age. However, there was only a moderate agreement that they have come from a poor background and were expected to assume responsibilities for providing for their families.

Third objective was the influence of peers on the uptake of savings culture in unit trusts among young adults. The study concluded that the young adults have had strong friendship bonds which have influence their financial decisions through the sharing of information on the value of saving and investment. The young adults' home environment is stable. The level of commitment by members of their social group during the formative years has influenced the strength of the bonds between them and other members of the group. The young adults only partially agreed that they have had low self-esteem, are reclusive by nature and seek non-physical mediums of interaction with their peers such as social media where they are likely to follow trends on the management of finances. The young adults not agree that they have had low self-esteem which has made them more of followers rather than leaders and so their financial decision making is shaped by others in their social group.

The fourth objective was the establishment of the influence of level of income on the uptake of savings culture in unit trusts among the young adults. The concluded that the young adults' level of experience has enabled them to make sound financial decisions. Training initiatives have enabled the young adults to gain the financial skills necessary to boost their earnings and to save. The young adults' financial education has equipped them with skills and knowledge that are in demand in companies enabling them to earn higher income levels and also to save. However, there was some uncertainty regarding whether the young adults have lacked adequate credit management skills which has compelled them to borrow recklessly thereby resulting in poor debt management.

The young adults are more focused on establishing and implementing financial goals in order to achieve financial success. The young adults have experienced challenges making enough revenue to save. The young adults tend to have impulsive consumption behaviours, to alternate between brands, however, and are also knowledgeable about financial management. There was a lack of general consensus regarding whether a high fashion awareness and the need to conform to the lifestyles of their peers drives young adults to spend a significant portion of their income on clothing.

## **5.5 Recommendations**

### **5.5.1 Policy Recommendations**

The Government needs to come up with funding initiatives for young adults so as to enable them acquire savings products such as unit trust funds. Since not every young adult works in SMEs, initiatives such as the Youth Development Fund (YDF) are too restrictive.

The Government should sponsor campaigns that address reckless borrowing on both mainstream media and social media platforms so as to help promote thriftier spending and prudent debt management among the young adults.

The Government needs to come up with initiatives that encourage organisations to recruit fresh graduates and young adults such as tax rebates so as to reduce the level of unemployment of this critical cohort of 18-24-year olds. This will enable them to earn money and improve their capability of acquiring savings products such as unit trust funds.

### **5.5.2 Managerial Recommendations**

The management of trust funds need to expand their coverage to cover young adults from marginalised regions who may be unaware of their products and design products that may be more suited by their socio-economic circumstances.

The managers of unit trust funds should come up with promotional strategies that reward individuals for referring others to acquire their products among the young adults since they tend to follow the recommendations of their peers.

Trust fund managers need to come up with technologically enabled savings products which will appeal to the 18 to 24 years olds so as to boost the uptake of their products amongst this cohort such as those exploit mobile technologies.

### **5.5.3 Implications for Academia and Research**

Given the dearth of local research on the adoption of unit trust funds in general, this study will set the tone for other local researchers and scholars to delve into this category of financial products so as to build on the body of knowledge. Additionally, given the differences in the perspectives of the unit trust fund staff and the young adults, the results of this study have enabled a more holistic understanding of the determinants of the adoption of unit trusts for savings among young adults aged 18-24.

### **5.6 Suggestions for Further Studies**

There has been limited research on determinants of the adoption of unit trusts for savings, so future researchers need to explore other determinants besides the ones that have been covered in this study. This study has focused on a specific cohort of 18-24-year olds, other studies can look into other cohorts within the youth so as to provide a broader perspective. Future research can also consider the determinants of the adoption of other products within the unit trusts such as investment products such as treasury bonds and treasury bills both for the 18-24-year-old cohort and other cohorts.

## 5.7 Limitations of the Study

There has been limited research on determinants of the adoption of unit trusts for savings, so future researchers need to explore other determinants besides the ones that have been covered in this study. Thus, in mitigation, the researchers suggests that future researchers focus on the adoption of unit trusts as a research topic. This study has been limited by a focus on a specific cohort of 18-24-year olds, other studies can look into other cohorts within the youth so as to provide a broader perspective. The study was also limited to savings products within unit trusts, future research can also consider the determinants of the adoption of other products within the unit trusts such as investment products such as treasury bonds and treasury bills both for the 18-24-year-old cohort and other cohorts.



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## APPENDICES

### Appendix 1: Letter of Introduction

#### **RE: Request to Collect Data**

I am a Masters student at the Strathmore Business School pursuing a Master of Commerce (Strategic Management Option). I am currently carrying out a research on “**determinants of a saving culture in unit trusts among the young adults in Nairobi County, Kenya**”.

The purpose of this study is to find out the strategic determinants of a saving culture in unit trusts among the young adults in Nairobi County, Kenya. The results of the study will provide a practical reference for all concerned parties wishing to improve the adoption of a saving culture amongst the young adults including unit trust managers, parents, financial educationalists and researchers and scholars. As respondents, you stand to benefit through your own personal contribution in shedding more light to the reasons why the young adults have been struggling to adopt a saving culture particularly in unit trusts.

The Strathmore University respects participants’ right to privacy and, as such, as a student of the institution, I am bound to uphold this principle by ensuring the anonymity of all participants and confidentiality of any information gotten from the study. Additionally, my professional ethics precludes me from engaging in any practices that will cause undue injury to any participant. Finally, it should be noteworthy that your participation is fully voluntary and you have a right to get prior consent for use of any information prior to that information being used in the study. Your participation is highly invaluable and will be gratefully appreciated.

Yours Sincerely,

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**Mercy Mwelu Musyoka**

## Appendix 2: Research Instruments

### SECTION A: DEMOGRAPHIC INFORMATION

1. Gender of Participant       Male                       Female
2. How much is your monthly income?
  - Less than 10,000 Kshs.
  - 10,000 – 39,999 Kshs.
  - 40,000 – 69,999 Kshs.
  - 70,000 – 99,999 Kshs.
  - Above 100,000 Kshs.
3. How long have you worked for the trust fund? (Kindly tick one below):
  - Less than 1 years
  - 1-5 years
  - 6-10 years
  - Over 10 years
4. What is your age? (Kindly tick one below):
  - 20-30 years
  - 31-40 years
  - 41-50 years

51-60 years

Above 60 years

5. What is your highest level of education? (Kindly tick one below):

Primary School or lower

High School

Tertiary College

Undergraduate

Postgraduate

**SECTION B: Influence of Financial Literacy on Savings Culture.**

Kindly (✓) tick appropriately on a scale of 1-5. 1-Strongly Disagree (SD), 2-Disagree (D), 3-Neutral (N), 4-Agree (A), 5-Strongly Agree (SA).

	Statement	SD	D	N	A	SA
1.	My investment or savings practices reflect my level of financial literacy.					
2.	I have been able to carry out technical and fundamental analysis which has enabled me to make informed investment decisions.					
3.	I have gained financial numeracy and financial knowledge which has improved my financial planning.					
4.	I have gained skills through financial trainings which have enabled me to earn enough money to save.					
5.	Inadequate financial planning skills due to resource constraints have resulted in poor debt management.					

6.	As a youth, I have trained in budgeting which has enhanced my debt management and boosted my ability to save.					
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**SECTION C: Influence of Parental Socialisation on Saving Culture.**

Kindly (√) tick appropriately on a scale of 1-5. 1-Strongly Disagree (SD), 2-Disagree (D), 3-Neutral (N), 4-Agree (A), 5-Strongly Agree (SA).

	Statement	SD	D	N	A	SA
7.	I have learned my financial management from my parents.					
8.	The two most critical influences of my parents on my financial behaviour are observation and interaction with my parents.					
9.	The introduction of a number of technological innovations such as the Internet has reduced the societal expectation of my parents to control my behaviour.					
10.	My parents have inculcated proper financial habits and practices in me from an early age.					
11.	I come from a poor background and was expected to assume responsibilities for providing for my family.					
12.	I have been more socialised which made me more responsive to financial teaching and monitoring by getting more involved in family budgeting.					

**SECTION D: Influence of Peer Influence on Saving Culture.**

Kindly (√) tick appropriately on a scale of 1-5. 1-Strongly Disagree (SD), 2-Disagree (D), 3-Neutral (N), 4-Agree (A), 5-Strongly Agree (SA).

	Statement	SD	D	N	A	SA
13	I have a strong compunction to identify with my social group.					
14	My home environment is stable.					
15	I have had low self-esteem which has made me more of a follower rather than a leader and so my financial decision making is shaped by others in my social group.					
16	I have had low self-esteem, am reclusive by nature and seek non-physical mediums of interaction with my peers such as social media where I am likely to follow trends on the management of finances.					
17	The level of commitment by members of my social group during the formative years has influenced the strength of the bonds between me and other members of the group.					
18	I have had strong friendship bonds which have influence my financial decisions through the sharing of information on the value of saving and investment.					

### SECTION E: Influence of Level of Income on Savings Culture.

Kindly (√) tick appropriately on a scale of 1-5. 1-Strongly Disagree (SD), 2-Disagree (D), 3-Neutral (N), 4-Agree (A), 5-Strongly Agree (SA).

	Statement	SD	D	N	A	SA
19	My financial education has equipped me with skills and knowledge that are in demand in companies enabling me to earn higher income levels and also to save.					
20	The expense involved in acquiring higher qualifications has made it difficult for me to afford them.					

21	My level of experience has enabled me to make sound financial decisions.					
22	Training initiatives have enabled me to gain the financial skills necessary to boost my earnings and to save.					
23	My financial capability to save has been influenced by unemployment or employment as a casual worker.					
24	I have lacked adequate credit management skills which has compelled me to borrow recklessly thereby resulting in poor debt management.					

### SECTION F: Savings Culture in Unit Trusts in Nairobi County, Kenya.

Kindly (✓) tick appropriately on a scale of 1-5. 1-Strongly Disagree (SD), 2-Disagree (D), 3-Neutral (N), 4-Agree (A), 5-Strongly Agree (SA).

	Statement	SD	D	N	A	SA
25	A high fashion awareness and the need to conform to the lifestyles of my peers drives me to spend a significant portion of my income on clothing.					
26	Given the fact that I am more technologically savvy than most other cohorts, strategies which seek to make me more responsible need to incorporate the use of technology					
27	I am more focused on establishing and implementing financial goals in order to achieve financial success.					
28	I have experienced challenges making enough revenue to save.					
29	I tend to have impulsive consumption behaviours, to alternate between brands, however, and am also knowledgeable about financial management.					

30	A low literacy level and lack self-control have both contributed towards a poor saving culture in me.					
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**Thanks for your participation!**





**Researcher's name: Mercy Mwelu Musyoka**

**Date:**

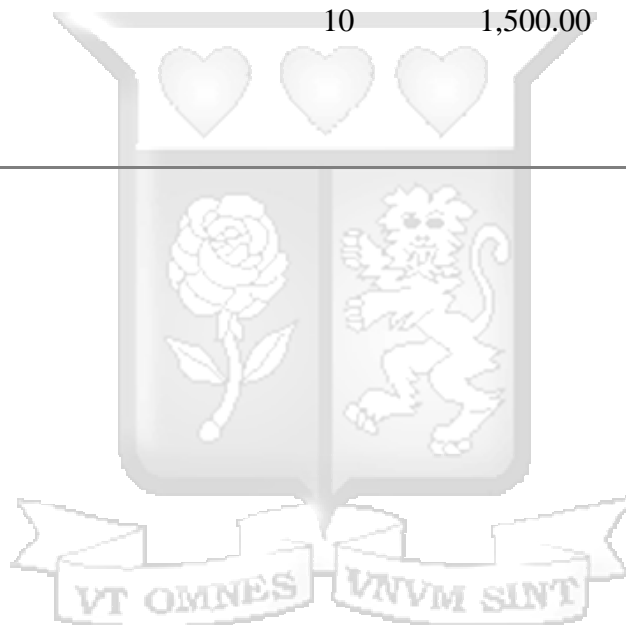
\_\_\_\_\_

**Signature:** \_\_\_\_\_




#### Appendix 4: Budget

Description	Quantity	Unit Cost	Total Cost
Printing of letters	20	50	1,000.00
Questionnaires for pre-test	20	60	1,200.00
Questionnaires for final	108	60	6,480.00
Binding of reports	10	60	600.00
Costs of data collection			40,000.00
Printing of reports	10	1,000.00	10,000.00
Cost of internet	2	5,000.00	10,000.00
Costs of transportation	10	1000	10,000.00
Costs of pilot study	10	1,500.00	15,000.00
Miscellaneous costs			30,000.00
<b>TOTAL</b>			<b>124,280.00</b>



# Appendix 5: NACOSTI Research Permit

  
REPUBLIC OF KENYA



**NATIONAL COMMISSION FOR  
SCIENCE, TECHNOLOGY & INNOVATION**

Ref No: **839861**      Date of Issue: **03/April/2024**

**RESEARCH LICENSE**



**This is to Certify that Ms. Mercy Mwelu Musyoka of Strathmore University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: FACTORS INFLUENCING THE ADOPTION OF UNIT TRUSTS FOR SAVINGS AMONG YOUNG ADULTS AGED 18-24 IN NAIROBI COUNTY, KENYA for the period ending : 03/April/2025.**

License No: **NACOSTI/P/24/34241**

**839861**  
Applicant Identification Number

  
Director General  
**NATIONAL COMMISSION FOR  
SCIENCE, TECHNOLOGY &  
INNOVATION**

Verification QR Code



**NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.**

**See overleaf for conditions**

## Appendix 6: Ethical Clearance



11<sup>th</sup> March 2024

Mrs Musyoka Mercy,  
Mercy.Musyoka@strathmore.edu

Dear Mrs Musyoka,

**RE: Strategic Determinants of a Saving Culture in Unit Trusts among the Young Adults in Nairobi County, Kenya**

This is to inform you that SU-ISERC has reviewed and approved your above SU-masters research proposal. Your application reference number is SU-ISERC2079/24. The approval period is from 11<sup>th</sup> March 2024 to 10<sup>th</sup> March 2025.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including (informed consents, study instruments, MTA) will be used.
- ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-ISERC.
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-ISERC within 72 hours of notification.
- iv. Any changes anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-ISERC within 72 hours.
- v. Clearance for the export of biological specimens must be obtained from relevant institutions.
- vi. Submission of a request for renewal of approval at least 60 days prior to the expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- vii. Submission of an executive summary report within 90 days of completion of the study to SU-ISERC.

Before commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke/> and obtain other clearances needed.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Ambrose Rachier".

**Mr Ambrose Rachier,  
Chairperson; SU-ISERC**

