

**FINANCIAL LITERACY AND ACCESS TO MOBILE LOAN FINANCE
CAPITAL BY SALON BUSINESSES IN NAIROBI CITY COUNTY, KENYA**

**SARAH MINOO MAKASI
D53/ OL/CTY/26236/2015**

**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS,
ECONOMICS AND TOURISM IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE AWARD OF DEGREE OF MASTER OF
BUSINESS ADMINISTRATION (FINANCE OPTION) KENYATTA
UNIVERSITY**

NOVEMBER, 2022

DECLARATION

The project submitted is my original work and was not presented to any other institution.

SARAH MINOO MAKASI

D53/OL/CTY/26236/2015

Signed _____ **Date** _____

Supervisor

The document was developed by the student under my supervision as the duly appointed university supervisor.

DR. Jeremiah Koori

Lecturer,

Accounting and Finance Department

School of Business, Economics and Tourism

Kenyatta University

Signed: _____ **Date** _____

DEDICATION

I dedicate my research to my late husband Samuel Musyoki, who, before his traumatic, unexpected death, had urged me to continue my education. I want to express my gratitude to my daughter Olive Mutheu Musyoki for allowing me to study during her meager schedule, as well as to the rest of my family, friends, and classmates for their spiritual and financial support during my studies. Praise and respect be to the omnipotent God.

ACKNOWLEDGEMENTS

To the All-Powerful God, I would want to express my thanks for providing me the chance to pursue this degree. Sincere gratitude is extended to everyone who helped this research effort succeed in many ways by providing support and guidance. Special thanks to the leadership of Kenyatta University, Department of Finance and Accounting for the opportunity to pursue this degree. I highly value the help I received from my supervisor, Dr. Koori, who went all out by reading the full work multiple times and providing helpful comments despite his hectic academic and various commitments. I would especially want to thank my family for their patience and moral and financial support as during my study period. God bless you.

TABLE OF CONTENT

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENTS	iv
TABLE OF CONTENT	v
LIST OF TABLES	viii
LIST OF FIGURES	ix
ABBREVIATIONS AND ACRONYMS	x
OPERATIONAL DEFINITION OF TERMS	xi
ABSTRACT	xii
CHAPTER ONE:INTRODUCTION	1
1.1 Background Information	1
1.1.1 Financial Literacy.....	4
1.1.2 SME’s Access to Mobile Loan Finance Capital.....	6
1.1.3 Access to Mobile Loan Finance Capital in Kasarani Sub County.....	9
1.2 Statement of the problem	9
1.3 Study Objectives	11
1.3.1 General Objective.....	11
1.3.2 Specific Objectives.....	11
1.4 Research Questions	11
1.5 Significance of the Study.....	12
1.6 Scope of the Study	12
1.7 Limitations of the Study	13
CHAPTER TWO:LITERATURE REVIEW	14
2.1 Introduction.....	14
2.2 Theoretical Literature Review	14
2.2.1 Prospect Theory	14
2.2.2 Theory of Financial Intermediation	15
2.2.2 Unified Theory of Acceptance and Use of Technology.....	16
2.3 Empirical Literature Review	16
2.3.1 Financial Awareness and Access to Mobile Loan Finance Capital	16
2.3.2 Financial Attitudes and Access to Mobile Loan Finance Capital.....	18

2.3.3 Financial Behaviors and Access to Mobile Loan Finance Capital	20
2.3.4 Financial Knowledge and Skills and Access to Mobile Loan Finance Capital	21
2.5 Summary of Literature Review and Research Gaps	23
2.6 Study Variables and Conceptual Framework	28
2.6 Conceptual Framework	30
CHAPTER THREE:RESEARCH METHODOLOGY.....	32
3.1 Introduction.....	32
3.2 Research Design.....	32
3.3 Target Population	32
3.4 Sampling design.....	32
3.5 Data Collection Instruments	32
3.6 Data Collection Procedure.....	33
3.7 Pilot Study	33
3.7.1 Validity of Research Instrument	33
3.8 Data Analysis and Presentation	34
3.8.1 Operationalization and Measurements of Study Variables	34
3.9 Diagnostic Tests.....	34
3.9.1 Analytical Model.....	35
3.10 Ethical Considerations.....	36
CHAPTER FOUR:RESULTS AND DISCUSSION	37
4.1 Introduction.....	37
4.1.1 Response Rate.....	37
4.2 Demographic Characteristics	38
4.3.1 Descriptive Analysis results on Financial Awareness.....	39
4.3.2 Descriptive Statistics on Financial Knowledge	41
4.3.4 Descriptive Analysis on Financial Behavior	44
4.3.5 Access to Mobile Loan Finance Capital.....	45
4.4 Inferential Analysis.....	46
4.4.1 Pearson’s Product Moment Correlation	46
4.5 Regression Analysis	47
CHAPTER FIVE:SUMMARIES, CONCLUSIONS AND RECOMMEDATIONS	51
5.1Introduction	51
5.1 Summary of the Findings	51
5.3 Conclusions of the Study.....	53

5.2	Recommendations of the Study	53
5.3	Recommendations for Further Research	54
	REFERENCES	56
	APPENDICES.....	60
	Appendix I: Introduction Letter.....	60
	Appendix II: Questionnaires	61
	Appendix III: Approval Letter.....	65
	Appendix IV : Research Permit.....	66

LIST OF TABLES

Table 2.1 Summary of Literature Review and Research Gaps	25
Table 4.1 Gender of the Respondents	38
Table 4.2 Age of the Respondents	38
Table 4.3 Financial Awareness.....	39
Table 4.4: Financial Knowledge.....	41
Table 4.5 Financial Attitude	43
Table 4.6: Financial Behavior	44
Table 4.8 Model Summary	47
Table 4.9 ANOVA ^a	48

LIST OF FIGURES

Figure 2.1: Conceptual Framework	30
--	----

ABBREVIATIONS AND ACRONYMS

CMA	Capital Market Authority
CAK	Communications Authority of Kenya
CBK	Central Bank of Kenya
FSD	Financial Sector Deepening
GDP	Gross Domestic Product
KBA	Kenya Bankers Association
KCB	Kenya Commercial Bank
KNBS	Kenya National Bureau of Statics
MBA	Master of Business Administration
NSE	Nairobi Securities Exchange
OECD	Organization for Economic Cooperation and Development
SACCOs	Savings and credit cooperative societies
SPSS	Statistical Package for Social Sciences
SMEs	Small and Medium Enterprises

OPERATIONAL DEFINITION OF TERMS

- Financial Literacy:** It is the capacity to use awareness, attitudes, knowledge, and abilities to manage financial resources in an efficient manner.
- Financial Awareness:** It is founded on financial literacy. It refers to that state of being aware of the existing financial solutions and how to use them.
- Financial Attitudes:** Perceptions and feelings towards finance or financial solutions and decisions.
- Financial Behaviors:** It is the ability to understand the impact of (personal or business) financial decisions made and then choosing the right ones.
- Financial Knowledge:** The abilities or expertise that one has, which guides him or her when making financial decisions.
- Mobile Loan Finance Capital:** This is money employed in a company or business that has been borrowed from external sources through a mobile phone enabled applications.
- Access To Mobile Loan Finance Capital:** this is the ability of individuals or enterprises to obtain financial services through a mobile phone enabled applications.
- Salon Businesses:** A business that entails hairdressing, beauty, Couturier etc
- Small Businesses:** A business that has less than 20 employees and less than an average net profit of Kshs. 2M in a year.

ABSTRACT

Small businesses are faced with challenges in accessing finance due to the stringent requirements by financial institutions which include collateral, tedious paperwork and generally a long process before the financing is available for the business. Yet, most small businesses require only little amounts to start-off their venture. With the growth of mobile technology in Kenya and other countries, there have emerged growths of mobile loan facilities which can be beneficial to individuals and groups operating small and medium businesses. Salon businesses are unable to access loan to expand their businesses due to the many requirements by commercial banks and inability of the salon owners to provide collateral for the loans advanced. Therefore, the study sought to evaluate how financial literacy affects access to mobile loan finance capital by salon businesses in Kasarani Sub County. The specific objectives of the study were; to assess the effect of financial awareness, financial attitudes, financial behaviors, and financial knowledge on access to mobile finance capital by salon businesses in Kasarani Sub County, Kenya. The study was guided by prospect theory, theory of financial intermediation and unified theory of acceptance and use of technology. The questionnaires were used to collect data from 122 Salon owners. The distribution method was drop-and-pick method. Descriptive research design was used and descriptive statistics like mean, mode, and median were examined. Additionally, inferential statistics such as regression and the Pearson's correlation coefficient were used in the study. Frequency distribution tables, charts, and bar graphs were used to present the results. According to the study, there was a strong and positive correlation between financial awareness and access to financing for mobile loans. The study found that access to mobile loan finance capital and financial attitude were positively and significantly correlated. The study found a strong and positive relationship between financial behaviors and access to mobile loans. The findings were that financial knowledge had a significant effect on access to mobile loans. The study concluded that more financially educated business owners who comprehend essential financial concepts, such as managing risk, bond yields, time value of money and the dynamics of the capital markets, the more effective and long-lasting the small and medium enterprises. The finance industry should concentrate on creating solutions that cater to the actual needs of small and medium enterprises. The government and its partner agencies must develop, administer, and implement policies to support this crucial industry. This industry should get ongoing training in financial education, financial behavior, financial awareness and financial knowledge Enhancement of functions like formulating and reviewing policies and programs for small and medium enterprises should be emphasized. These policies should be favorable for small and medium enterprises growth addressing their financing limitations. Programs to advance general education by the national government and in particularly financial literacy training should be implemented.

CHAPTER ONE

INTRODUCTION

1.1 Background Information

In the modern business climate, it is impossible to ignore the importance of credit in business startup and expansion. Owners of small and medium-sized enterprises are still trying to figure out how to get financing as well as where to get the money to invest in their companies. However, access to credit is being influenced by various determinants. One of the factors pertains to the assets that small enterprises possess. Many have inadequate security to secure a significant loan that facilitated business growth (Cohen and Klepper, 1996). Another factor is characterized by the processes and procedures accompanying credit access. Many lending institutions have tedious or complex processes that make it difficult for the average small businesses to access credit (Munoz, 2010). Even while this has a significant impact on decision-making, another issue relates to small business owners' and managers' knowledge of financial accessibility and management (Ogiji & Ejembi, 2007). The goal of this study is to concentrate on financial literacy and access to mobile loan financing capital, even if all of these characteristics are important.

Since financial literacy and accessibility to mobile loan financing capital are still relatively new fields, there isn't a lot of reliable information on the subject. A few researchers have tried to investigate it in multiple dimensions, though. For instance, (Yeo & Fischer 2017) identify the link between mobile financial capability of the consumers and mobile financial technology. The authors noted that there was an association between higher level of financial capability and frequent use of mobile financial services. In his research, (Asongu, 2013) indicated that mobile penetration in Africa is developing informal finance. However, the information provided does not

identify whether people are aware of the mobile's role in this area and whether they are taking advantage of it. When addressing the issue of mobile credit locally and in Tanzania, (Blechman 2016) noted that consumers need to be protected, partly due to their ignorance. Thus, there is need of policies that promotes this attribute. Overall, information linking access to mobile financing and financial literacy is still quite limited both at the local and global levels.

A study by the Global Financial Literacy Excellence Centre titled "Standard and Poor's Ratings Services Global Financial Literacy Survey" (2014) revealed that 33 per cent of the adults worldwide are financially literate. The study's results also showed that 57 per cent of the adults in the United States are financially literate as compared to the 33 per cent globally. The data also showed that only 35 per cent of the men in the globe have financial literacy as compared to 30 per cent of the women. Thus, the majority of the people globally are financially illiterate. According to the African Development Bank Group (2017), the East African region has a relative shallow capital market as compared to the markets as those on Southern and Northern Africa. However, Kenya's capital market is by far the largest in East Africa. Thus, there is a lot of potential that lies within this market, with regards to financial access.

Over 99% of all businesses in the world are SMEs (Capital Markets Authority, 2010). SMEs give the rural poor, particularly some of the most disadvantaged and vulnerable individuals like women, young people, and those who are landless, the opportunity to diversify their earnings, develop new avenues for economic growth, and increase the number of jobs available in rural regions. In fact, a lot more individuals are employed in the SME sector than in the official economy. In Kenya, there are thought to be 7.5 million SMEs, which give low-income areas of the economy options for employment

and revenue development (CMA, 2010). The sector's contribution to the Gross Domestic Product (GDP) increased as well, rising from 13.8% in 1993 to over 40% in 2008, and it is still expanding. According to the most recent Economic Survey (2012), the SMEs that make up the informal sector are responsible for 80.8% of all newly generated jobs (KNBS, 2012). The government and other development partners have warmly embraced the potential of the SME sector in terms of economic growth, wealth creation, the battle against poverty, and the creation of jobs. SME development is a critical approach to help Kenya reach a middle-income economy by the year 2030 through equality and the eradication of poverty, according to the economic pillar of Kenya's Vision 2030.

The United States Agency for International Development (USAID), the International Fund for Agricultural Development (IFAD), the Germany Technical Institution (GTZ), commercial banks, and microfinance institutions are some of the additional development partners engaged. The government and other key stakeholders have created market-driven and non-distorting programs and policies to help SMEs in order to address some of the challenges related to financial management in the SME sector. For instance, the government has liberalized the economy, produced stable macroeconomic circumstances, and promoted the expansion of the microfinance sector.

SMEs are classified as autonomous, non-subsidary businesses with fewer than a certain number of employees. Across national statistics systems, this figure fluctuates. As in the European Union, 250 employees is the most typical upper limit. However, other nations set the cap at 200 employees, whereas the US includes businesses with fewer than 500 employees as SMEs. Small businesses often have less than 50 employees, but micro-businesses may only have five, 10, or even less employees. SMEs are also characterized by their financial assets. The definitions of the SME sector used in Kenya are as follows:

small businesses have 11 to 50 people and generate revenues of Kshs 5 to 50 million, medium-sized businesses have 51 to 100 employees and generate revenues of Kshs 51 million to Kshs 1 billion. Micro businesses have 1 to 10 employees (Gok, 2005).

The importance of SMEs in the economy is rising as more functions are outsourced and bigger companies reduce their workforces. Additionally, the competition brought on by the emergence and extinction, entry and exit of smaller enterprises has a significant impact on productivity development and, by extension, economic growth. High job high turnover and labor market turbulence are a key component of the competitive process and structural change in this process. Only a small portion of small start-ups remain in business for more than five years, and even fewer become part of the core of high-performing companies that propel industrial innovation and performance.

1.1.1 Financial Literacy

The concept of financial literacy developed in the 1900s at the advent of consumer initiative and research in the United States, even though it was not known as financial literacy. However, as the 20th century progressed, it was identified as “a person's competency for managing money” according to (Jelley, 1958). In the 21st century, (OECD, 2005) defined it as “the process by which financial consumers or investors improve their understanding of financial products, concepts and risks and through information, instruction and/or objective advice develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being.”

The SME Act (2011) was passed to provide guidelines for the nation's micro, small, and medium-sized businesses in terms of loan availability and capacity growth. The equity

group foundation's (EGF) financial literacy program was developed to assist small firms in overcoming their financial difficulties. It was established in 2009 with the main goal of advancing socially significant projects by utilizing Equity Group's banking capabilities and competencies and via successful collaborations with SMEs. The main objective of the EGF was to improve the socioeconomic circumstances for 50 million people in Africa during the following five years.

Financial literacy involves; financial knowledge, behavior, attitude and awareness (Equity group Foundation, 2009). Hogarth (2002) breaks financial literacy into financial awareness, financial attitude, financial knowledge and financial skills in managing the businesses. In the current study, the concept of financial literacy has been operationalized using financial awareness, financial attitudes, financial behaviors, financial knowledge and skills as proposed by Atkinson and Messy (2012). Also, (OECD, 2017) suggests inclusion of financial attitudes to the financial attitudes score. Respective of financial behaviors, they identified the financial behaviors score. The financial knowledge and skills can be operationalized using the financial knowledge and skills score.

Financial awareness entails a process by which individuals identify the relationship between business and personal finances, learn where to turn for help, improve their understanding of key concepts and products in the financial landscape, and develop the confidence, attitudes, knowledge, and skills necessary to become more aware of their surroundings (OECD, 2017). Financial attitude presents the scope of financing with regards to the business environment of the developing countries (OECD, 2017). Most financial behavior gives areas that were impacted by financial literacy, especially for manager and owners of small and medium enterprises. A business owner who

understands finances may use other financial services more effectively by increasing their savings, utilizing credit facilities to their fullest potential, and using insurance services to reduce risks (Andoh & Nunoo, 2011).

1.1.2 SME's Access to Mobile Loan Finance Capital

The mobile loan finance capital is not precisely defined in any published study. However, by using the definitions provided for loan capital, one can derive this term from the same (Agar, 2005) states that loan capital is a component of a business's employed capital that is not equity, earns a fixed interest rate instead of dividends, and needs to be repaid to the investors during the regular course of business. Mobile loan can therefore be identified as loan capital issued by a financing institution or investor through a mobile service provided by a mobile gadget. This definition is relevant because of the diverse types of loans that are present in the contemporary market as investors and credit institutions continue to take advantage of emerging technologies (Agar, 2005). This definition is significant because of the current access to credit through mobile services in Kenya.

Kenya has an 89.2% mobile penetration rate as of the end of March 2016, with Safaricom Limited controlling a 65.6% subscriber market share (January –March 2016 Communications Authority of Kenya Sector Statistics Report). The structure of the Kenyan credit market has changed over time, going from highly regulated financial institutions to micro-finance institutions (MFIs), savings and credit co-operative societies (Saccos), and ultimately to mobile-based fintech companies, according to a report published more recently (Standard Investment Bank Report, 2017), which was cited in the majority of national dailies. While noting that 60 per cent of the Kenyan population has smart phones, (Standard Investment Bank Report, 2017) observe that

financial technology firms have taken advantage of Safaricom's Mpesa services, making Tala, Branch and Okolea critical applications for SME owners.

Commercial banks are thus making use of these platforms. For instance, the study brought up Standard Investment Bank (SIB), which increased the number of family credit accounts by over 7.2 million between 2010 and 2016. With the help of Commercial Bank of Africa's (CBA) M-Shwari, KCB Bank's KCB M-Pesa, Equity Bank's Eazzy Banking, and others, Kenyans may now easily obtain mobile loans in the range of \$1 to \$10,000 with just the push of a button and no security requirements (Standard Investment Bank Report 2017). To expand its client base beyond simple money transfers, Safaricom Limited released a range of value-added services through its M-PESA product in Kenya in 2012. This marked the inauguration of funding for mobile loan financing. The most popular alternative is by far the savings and loan program M-Shwari, which began in November 2012. 15% of all active mobile money account holders have used M-Shwari (those who have a registered mobile money account and have used it in the past 90 days). However, some unexpected outcomes result from how customers use it and how they perceive its uses. 2016 observations on intermediary financial inclusion.

Despite the program being intended as a savings and lending product, just 30% of survey participants who had used M-Shwari reported taking out a loan, and only 14% said they had saved money with it for a future purchase or payment. (Note: The poll question clearly asked about savings "for a future purchase or payment" may have had an impact on these findings. Only 39% of respondents claimed to have utilized M-Shwari for a loan or for this type of goal-driven saving after taking into account overlap. Deposits and withdrawals were at the top of the list. 46% of respondents reported making a

withdrawal, while 72% stated they had deposited money with M-Shwari. The 2016 report "Insights on Intermedia Financial Inclusion"

Provider-side data confirm the high deposit rate and the significantly reduced utilization of loans (Safaricom Limited, 2017). Customers have placed a total of KSh24 billion (\$278 million) into M-Shwari accounts since the service's introduction, according to the business, whereas only KSh7.8 billion (\$92 million) in loans have been made via M-Shwari. A few theories regarding how M-Shwari customers see the product and would like to utilize it are put forth by the survey results. Instead of making long-term investments, customers could use M-Shwari to store money temporarily. Medium- to long-term savings are implied by the poll response, "save money for a future purchase or payment." Instead, users could be using their M-Shwari account as a kind of liquid savings account, a place to keep little amounts of cash as they come in with the goal of withdrawing them at a specific point in time or when they reach a particular number. Insights on Intermediary Financial Inclusion, 2016).

According to a study by Mutira (2017), there is a strong correlation between the problems SMEs face and financial access, one of the problems being a lack of knowledge about SMEs loans. It was found in a different study by Nkundabanyanga, Kasozi, Nalukenge, and Tauringana (2014) that formal credit, which includes the services used to offer credit, and financial literacy had a favourable link. Financial knowledge and credit availability are directly related, according to (Hilgert, Hogarth, & Beverly, 2003). Since these studies are primarily concerned with credit accessibility as a whole, it is crucial to determine whether financial literacy may have an impact on how small firms are provided with or receive credit. To determine whether financial literacy

has a good association with mobile loan financing, just as it does with credit availability, it is crucial to examine this link.

1.1.3 Access to Mobile Loan Finance Capital in Kasarani Sub County

Kasarani Sub County is in Nairobi County, along Thika Superhighway. Office professionals and businesspeople from the private sector reside in this middle-class neighbourhood. Salon businesses thrive in this sub county due to the nature of its residents who are majorly office workers. There are many start-ups coming up due to the lucrative nature of the business in this sub county. The Salon Businesses in Nairobi city county and more so in Kasarani sub county are unable to access loan due to their inability to provide collateral and insufficient operating cash flows from their daily business operations. The statistics from the Nairobi City County Government Report (2021) indicates that 71% of these businesses were unable to access the loan from banks, VSLA and DT Saccos.

The inability of many of the Salon Businesses to access loan capital was also partly attributed to financial illiteracy where majority of the small enterprises could not manage to keep any financial records. The trend on access to loan in Kasarani sub county on loan access by Salon Business indicate that 9 in every 10 business were unable to access loan capital in the year 2015 to 2021 (NCC Report, 2021). These results prompted the researcher to carry out a study on the effect of financial literacy on access of loan capital by salon businesses in Kasarani sub county.

1.2 Statement of the problem

Salon businesses in Kasarani are key to the economic development in Kenya. However, over 71% of salon owners in Kasarani sub county, Nairobi City County were unable to access loan from banks and SACCOs (World Bank, 2019). The report by the county

government of Nairobi City (2021) indicated that only one salon business in ten was able to access and apply loans in the commercial banks and SACCOs. This translated to 90% of the Salon businesses inability to access loan capital in the financial institutions. The report indicated that the inability to access loan was attributed to financial illiteracy, high costs of borrowing and information asymmetry (KBA Research Centre, 2021). Financial literacy has been attributed to building a successful small business.

Beatrice's (2014) study on the relationship between microbusiness performance in Nairobi City County, Kenya, and entrepreneur financial literacy took into account five aspects of financial fluency: management and financial, savings literacy, debt literacy, investment literacy, and insuring literacy. This study found a statistically significant correlation between financial availability and entrepreneur financial literacy. A study conducted in Nyandarua County by Waithaka (2016) on the availability of financial offerings and the level of financial literacy among small- and medium-sized business owners in the county of Nyandarua, Kenya, came to find that there is a positive correlation between these two variables. Additionally, it was discovered in the study by Equity Bank Group (2013) that there was a steadily rising default rate in the repayment of loans by SMEs; this was ascribed to the lack of financial literacy by the fund borrowers.

Based on the contextual, conceptual and methodological gaps generated, this study aims to establish the effect of financial literacy on access to mobile loan finance capital by salon businesses located in Kasarani sub county, Nairobi City County which the reviewed studies did not factor in. It also uses four dimensions of financial literacy namely financial awareness, financial attitudes, financial behaviors, financial knowledge,

and skills which were not considered in the earlier studies. This study also sought to focus on mobile loan finance which has not been considered in earlier studies.

1.3 Study Objectives

1.3.1 General Objective

The study sought to evaluate how the effect of financial literacy on access to mobile loan finance capital by salon businesses in Kasarani Sub County, Kenya.

1.3.2 Specific Objectives

- i. To assess the effect of financial awareness on access to mobile finance capital by salon businesses in Kasarani Sub County, Kenya.
- ii. To evaluate the effect of financial attitudes on access to mobile finance capital by salon businesses in Kasarani Sub County, Kenya.
- iii. To assess the effect of financial behavior on access to mobile finance capital by salon businesses in Kasarani Sub County, Kenya.
- iv. To find out the influence of financial knowledge on access to mobile finance capital by salon businesses in Kasarani Sub County, Kenya.

1.4 Research Questions

- i. How do financial awareness affect access to mobile finance capital by salon businesses in Kasarani Sub County, Kenya?
- ii. Does financial attitude affect access to mobile finance capital by salon businesses in Kasarani Sub County, Kenya?
- iii. What are the effect of financial behavior on access to mobile finance capital by salon businesses in Kasarani Sub County, Kenya?

- iv. How does financial knowledge affect access to mobile finance capital by salon businesses in Kasarani Sub County, Kenya?

1.5 Significance of the Study

The study is crucial for decision-makers because it might give them the relevant information and empirical backing they need to create rules that could increase financial literacy among small business managers and owners, giving the latter group the chance to have a positive impact on their business through better decision-making. This study would be helpful to managers and business owners in Kasarani Sub County because it provided advice on how financial literacy affects access to credit through mobile services. The information offered would equip them to make better decisions that regard the growth and sustainability of their small businesses. The study has theoretical value as well since it will serve as a basis for hypotheses describing the connection between financial literacy and access to capital for mobile financing. The study would provide theorists a place to start when investigating this relatively uncharted territory of credit availability via mobile services.

1.6 Scope of the Study

This study was conducted in Kasarani Sub County, Nairobi City County, Kenya, with 122 salon businesses as the target population. Primary data was acquired using both closed-ended and open-ended questionnaire. The research design was descriptive research design. The period of interest was 2017 to 2021 for these were the periods when majority of the salon business in Kasarani sub county were unable to access loan capital from banks and Savings and Credit Cooperative Societies.

1.7 Limitations of the Study

The magnitude of the region being researched is clearly one of the difficulties. The study focused on the Kasarani Sub County area in the large Nairobi city. Findings may be limited to this area due to diverse factors that may not be present in other parts of the city or the country. The results may be inapplicable to other areas that are not similar to Kasarani area. Additionally, the study only focuses on salons. The choice of business can therefore give biased findings. The research used limited resources. The limitation of resources such as funds and time can also influence the study to reveal biased findings. The study was incorporated as many salons in the Kasarani area as possible. The study was also extend the time of the research as is allowed by the supervisor and the resources while making use of technology to gather the data from the participants.

1.8 Organization of the Study

The study project was broken up into five chapters. Chapter one presents the background data relating to study variable, the significance, objectives, statement of the problem, scope and limitations. The theoretical literature, empirical literature and conceptual framework were presented in Chapter two. The study's methodology was presented in Chapter three which consisted of how data was collected and analysed. The findings, discussions, and interpretation was done in chapter four. The summary of the findings, conclusions, and further suggestions were presented in Chapter five.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter covers a review of literature on financial literacy and how it affects access to mobile loan capital by small businesses. The literature review attempts to contextualise the current research alongside other research studies in the past. The chapter begins with a theoretical framework section outlining different theories used in the study. The research is then followed by an empirical review section. The empirical review presents a critical discussion of past studies on financial literacy and access to mobile loan finance capital by small businesses. The chapter then ends with a summary of findings inclusive of an identification of research gaps.

2.2 Theoretical Literature Review

2.2.1 Prospect Theory

Kahneman and Tversky developed prospect theory in 1979. It claims that rather than focusing on the end result, individuals make decisions based on the prospective worth of losses and gains, and that they assess these losses and benefits using particular heuristics. A behavioral economic theory called prospect theory explains how individuals make decisions between risky, probabilistic options when there is no means of knowing what will happen. The investor evaluates the prospective gains and losses before making the decision and avoids making losses to protect their investments.

Kahneman and Tversky (1979) opined that investor's risk attitudes towards gains are different compared to their risk attitudes towards losses. According to them, losses are regarded by investors to be more significant than similar profits, and investors took

greater risks to prevent losses than they did to take minimal risk and obtain an equivalent gain. This hypothesis supports characteristics related to financial attitudes and behaviours and how they affect access to loans.

2.2.2 Theory of Financial Intermediation

Theory of financial intermediation was proposed by Jensen and Meckling (1976). It stipulates the purpose of financial institutions as middlemen in reducing transaction costs and informational asymmetries between debtors and money lenders. Financial intermediaries aid in bringing about efficiency in the market and they can have significant macroeconomic effects. Through their roles, financial intermediaries educate customers on available financial services and products and how they suit their financial needs. (Jensen & Meckling, 1976). By reducing the informational asymmetries, a financial investor becomes more aware of the specific loan facilities available in the market, their cost and how they can be accessed (Guyan & Tran, 2015). Financial literacy is the prerequisite for engaging in managing one's own finances activities and is defined as having sufficient understanding of personal finance facts (Garman & Forgue, 2006).

All research have found that having financial acumen does encourage people to act in a more economically responsible way (Robb & Woodyard, 2011), proving the association between financial knowledge and financial responsibility (Zakaria et al., 2012). Consumers who have a basic understanding of finance are more inclined to behave responsibly (Hogarth and Hilgert, 2002). (Perry and Morris 2005) assert that people may not utilize their expertise or economic ability to their full potential unless they have a sense of their own destiny.

This implies that an investor with adequate financial awareness has the greatest ability to attain mobile loan facilities as opposed to an investor who only has little financial

awareness. This theory supports financial awareness and financial knowledge and skills variables. It also supports the access to loan capital by salon businesses in Kasarani sub county, Nairobi city county, Kenya.

2.2.2 Unified Theory of Acceptance and Use of Technology

This theory was proposed by Venkatesh *et al.*, (2003). According to this theory, there are four factors that influence the acceptance and use of technology among users. The factors include effort expectancy, performance expectancy, social influence and facilitating conditions. Performance expectancy refers to the benefits users expect to derive from the use of technology. Effort expectancy refers to the amount of effort that users are required to exert while using the technology. Social influence refers to how other members of the society influence the use of technology whereas facilitating conditions refer to the nature of the technology and its usefulness. (Venkatesh *et al.*, 2003)

The above model may be used to explain how mobile finance capital is used in the sense that accessibility to it is determined by how frequently users of mobile technology use them to access banking services, which makes it pertinent to the research (Yan, 2015). Users' capacity to access mobile finance is influenced by elements including the amount of work required, the standard of performance, and societal pressure.

2.3 Empirical Literature Review

2.3.1 Financial Awareness and Access to Mobile Loan Finance Capital

Holik and Mulyeni (2019) studied the effect of financial awareness among the teachers in Indonesia. This research was quantitative, using primary data obtained from the survey results of 40 respondents. Empirical studies indicate that only one independent

variable, a person's mindset, has an impact on financial awareness. In contrast, none of the other independent factors, including family and individual perceptions was significant. This research demonstrates the importance of character education in ensuring that everyone is financially savvy. The successful people have always financial awareness in their inner heart. They can manage their wealth wisely and allocate it into investment smartly. Teachers, both directly and indirectly, will be able to transmit their knowledge and attitude to their students in or out of the class. The other independent variables in this study, namely family influence and individual perception do not significantly affect financial awareness.

Yahaya, Zainol, Abidin and Ismail (2019) studied the effect of financial awareness and financial attitudes on financial behavior among university students in Malaysia. This study is specifically interested in how students' financial conduct is influenced by their attitudes and knowledge about money. The survey approach was used to collect information from a sample of 370 university students. Both multiple linear regression analysis and simple sequential regression were employed to analyze the data. The findings indicate a modest level of financial knowledge among the participants. In comparison to those who did not take any financial management courses, those who did have a better level of financial understanding. Financial attitudes and behavior were both highly influenced by financial knowledge and attitudes, respectively. On the other side, financial awareness does not significantly affect financial decision-making.

At Kenya Ports Authority in Mombasa, Kenya, Kamunzyu and Kariuki (2019) investigated the impact of financial knowledge on employees' investment choices. 326 employees of the KPA headquarters in Mombasa were the target population. The data was gathered using a standardized Likert scale questionnaire. Secondary data were also

included in the study. The results showed that an increase of one unit in financial knowledge and abilities will result in an improvement in investing decisions. Additionally, a one-unit boost in debt management expertise would have a favorable, considerable impact on investing choices.

Wahid, Salahuddin, and Noman (2018) investigated how financial literacy affected the saving and investing habits of working women in Pakistan's underdeveloped nations. Adult populations in several nations have now participated in financial literacy surveys, which offer insights on understanding, attitudes, and behavior surrounding saving. According to these studies, people lack the skills necessary to make informed financial decisions, need to plan ahead enough, and have a limited comprehension of investing principles. People in Pakistan, and working women in particular, only know that they deposit money in different financial institutions in order to benefit. They have no idea what they are doing specifically, and they have no idea that credit intermediaries exist and have certain functions. This situation makes it necessary to research and gauge financial literacy in Pakistan.

2.3.2 Financial Attitudes and Access to Mobile Loan Finance Capital

Financial knowledge, financial behavior, and economic behavior were examined in relation to financial literacy in India by Rai, Dua, and Yadav (2019). The research has included a sample size of 394 working women from various public and private enterprises in Delhi. Based on purposeful sampling, a questionnaire method with a 5-point Likert scale was utilized, and the modeling of structural equations approach's analysis of moments structures (AMOS) was used to assess the goodness of fit (SEM). When testing a hypothesis, the relationship between three independent variables is looked at using route analysis. The results showed that financial behavior and attitude

are more strongly associated with working women's financial education than economic skills.

Karoline (2017) found that the key regulatory institutions, such as the Central Banks for the financial sector and telecoms regulations for the communications sector, were the enablers for the east African mobile financial capital in her study aiming to explore why SMEs in EA may not adopt mobile payments in an otherwise well-developed region of mobile money diffusion. They offer a supportive atmosphere because they appreciate the value of mobile money. Agents are often general store owners, merchants, wholesalers, airtime or money exchange businesses because to the high liquidity (Frederick, 2014). These are bridge cash-in and money services that accept e-float money and are crucial for drawing in, registering, and onboarding new clients.

Research by Uchena and Kenechi (2016) on Mobile Money, Social Capital, and Financial attitude of Women's Cooperatives in Rural Nigeria was aimed at comparing attitudes of Nigerians and non-Nigerians with regard to mobile financing, Nigeria has the most mobile money operators in Africa and the greatest potential for mobile money adoption, according to descriptive approaches used to analyze the mobile money market (with millions of people being financially excluded). They observed that just 3 million of Nigeria's 102 million mobile phone customers used mobile money, putting the country well behind other developed countries in this area (Abayomi, 2010). The decision to use a bank-led model rather than an operator-led model, low awareness, particularly in rural areas, conflicting regulatory frameworks between the Central Bank of Nigeria and the Nigerian Communication Commission, a dearth of mobile money agents, barriers to interoperability, and general public mistrust of new ideas, the government, and the media are some of the main explanations given for the slow uptake.

2.3.3 Financial Behaviors and Access to Mobile Loan Finance Capital

Satoto and Budiwati (2020) conducted research on the influence of financial literacy on financial management behavior using self-control as an intervening variable in Indonesia. The administration of the Village Owned Enterprises (BUM Des) in Sleman Regency was the subject of this study, which included 54 participants. Regression and path analysis will be used to test the given data utilizing three variables. This study demonstrates that money management behavior is positively impacted by financial literacy. The indirect impact of financial literacy on financial management behavior through self-control is also examined in this study. The outcome demonstrates that the direct effect of financial literacy on financial management behavior is stronger than an indirect effect. The administration of BUM Des has more self-control in purchasing or consuming according to demands that are anticipated the more financially literate they are. Thus, it can be inferred that the management's expertise, comfort level, and self-control in financial planning and management together with their ability to exercise restraint while making financial decisions, will have a substantial impact on their behavior.

The influence of financial education and awareness on financial behavior and women's empowerment in India was examined by Sumaiah and Jayaprada (2019). The study made an effort to look at how their financial literacy, financial awareness, financial attitude, financial behavior, and financial empowerment related to one another. Positive correlations were found between financial behavior and financial empowerment. It represents that according to the individual's financial behavior, the individual's financial empowerment also changes. As a result, it implies that financial behavior and financial independence are related.

The effect of financial attitudes, financial attitude, and personal finance on financial satisfaction in Indonesian women workers was examined by Caronge, Mediaty, Fattah, and Khaeril (2019). The population of this study comprised 67 instructors who were employed as permanent foundation lecturers (DTY) at Andi Djemma University, all of them were female. This study used a census sampling approach, in which the researcher selects 67 samples from the whole population. The study's findings suggest that Monetary Attitude, Monetary Behavior, and Relationship Between financial knowledge all have a partial and concurrent impact on Financial Satisfaction.

Uchena and Kenechi (2016) conducted a and observed that various financial behavior are enhanced by mobile telephony accessibility; savings is least effected as a majority of people are not disposed to Saving; The number of individuals are willing to send and receive cash via mobile money, coupled with the fact that traditional methods of doing so are generally undependable, slow, and complete absence privacy, makes the adoption of money transfers significant. Mobile finance has also given rise to sources of borrowing from extended savings and loan platforms by telecom carriers to deal with emergency situations because it would be simpler and faster to remit money. Mobile money is becoming more widely used as a method of payment instead of traveling vast distances, enhancing privacy and the value of remittances.

2.3.4 Financial Knowledge and Skills and Access to Mobile Loan Finance Capital

Using data on the rural population of Bangladesh, Hasan and Hoque (2021) investigated the effects of financial awareness on financial access through banking, microfinance, and fintech access. To determine whether financial literacy has a significant impact on trying to remove the obstacles that prevent individuals from taking advantage of financial services and using them to improve their lives, the study used three empirical models:

logistic regression, probit regression, and complementary log-log regression. The research findings demonstrated that gaining access to financial resources was significantly impacted by one's understanding of numerous financial service elements. The general availability of credit was significantly influenced by a number of factors, including occupation, income level, familiarity with depositing and withdrawing money as well as interest rates. The study's findings offer insightful suggestions for improving financial inclusion in emerging countries for policymakers. To significantly advance financial inclusion, a fundamental factor in reducing poverty and enhancing prosperity, a comprehensive and extensive education department should be made available to the rural people.

To assess the influence of financial literacy on saving behavior and consequently access to mobile loan financing capital in the Dutch context, Kalwij *et al.*, (2017) undertook an experimental study. The study's findings showed a strong relationship between financial literacy and saving habits, which eventually resulted in more people having access to funds for mobile loans. Savings behavior can be likened to use of available financial platforms and options to grow their wealth. This is the case because as people increase their savings especially within the mobile money platforms, their creditworthiness increases leading to increased access to mobile finance capital.

The effect of financial literacy on both short-term and long-term financial habits was also studied by Wagner (2017). The study's conclusions showed that financial literacy has a bigger influence on long-term financial conduct than it does on short-term behavior. Specifically, the study revealed that increased financial literacy compelled people to engage more savings which in the long run led to increased access to financing.

In order to determine the effect of financial literacy on access to mobile finance in Kenya, Wachira and Kihiu (2016) performed a research. The research was based on an analysis of the 2014 National Financial Access survey data and comparing it with the financial literacy in Kenya. The data analysis was conducted using regression analysis. The study's findings discovered that financial literacy has no impact on one's ability to get mobile loans. Instead, demographics including income, marital status, school, and gender can affect access to financing for mobile finance. However, the survey also revealed that someone with little financial literacy is probably going to be unfinanced for a while.

2.5 Summary of Literature Review and Research Gaps

The results of the studies show that access to mobile loan financing capital is significantly influenced by financial education, financial attitude, and financial views. However, there are limitations in specific studies. For instance, one study made use of experimental study which may not give realistic projection of the behavior in the real financial markets because access to mobile loan finance capital is a phenomenon that occurs in the long run which requires a long-term approach in studying it. Another gap identified in the literature review is the fact that most studies investigate access to finance in general but there is limited research on mobile loan finance capital which is the subject of this study. Consequently, this study seeks to fill this gap. Below is the conceptual diagram for the study. Table 2.1 below provides a detailed research gap for select reviewed paper.

Table 2.1 Summary of Literature Review and Research Gaps

Author	Title	Finding	Critique and study Gap	How it was be met in the study
Hasan and Hoque (2021)	analyzed the effects of financial literacy on banking, lending, and fintech access using data from Bangladesh's rural population.	The research findings demonstrated that gaining access to financial resources was significantly impacted by one's understanding of numerous financial service elements. The general availability of credit was significantly influenced by a number of factors, including occupation, income level, familiarity with depositing	The study's factors included occupation, income level, familiarity with money deposits and withdrawals, and general knowledge.	The current study variables were related to financial illiteracy and access to mobile loans.
Rai, Dua and Yadav (2019)	Financial education in India has been researched in relation to financial attitudes, financial behavior, and financial education.	When testing a hypothesis, the relationship between three independent variables is looked at using route analysis.	The study presents the contextual gap for it focused on India Business whose policies and practices could not be applied in Kenya.	The gap prompted a need to study on Salon Businesses operating in Nairobi City County, Kenya.
Wagner (2017)	examined how financial literacy affects both short- and long-term financial behaviour.	The study's conclusions showed that financial literacy has a bigger influence on long-term financial conduct than it does on short-term behavior.	The Study generally focus in SMEs and failed to specifically highlight on Salon Businesses	Current study focuses on Salon Businesses in Kasarani Sub County and relates financial literacy to access to mobile loans

Karoline (2017)	East Africans' use of mobile money: a cross-country analysis of the best and worst-performing nations	The sector is not regulated and formalized for SMEs to fully accept them.	Majorly concerned about formalization of the sector and not the consumer's literacy per se. Also, delved more on Zambia, yet the title implies it is for East Africa.	The study considers the possible consumer's (SMEs) financial literacy levels and how it affects their uptake of the available mobile financing.
Kalwij, Milena, Schonewille, Schors, and Werf (2017)	Financial education's implications on saving behavior and money management Evidence from a well supervised field study in Dutch elementary schools	The study found a link between financial knowledge and saving habits, which over time resulted in more people having access to mobile loan finance capital.	Conducted an experimental study. Study results would be flawed by the weaknesses of experiments in social studies. Social agents can influence one another. Also, was in developed market, Dutch. Also, savings is not usage of mobile financing.	Current study did a descriptive study to evaluate the relationships between the study variables.
Wachira and Kihui (2016)	Financial literacy and Kenyans' Access to Financial Services	The study results indicate that financial literacy remains low and financially illiterate people have higher chance of remaining financially excluded.	Did not aggregate financial literacy to commonly used indicators such as financial awareness,attitude, behaviors, knowledge and skills	The current study uses the OECD recommended aggregates of financial literacy which include; financial awareness, attitude, behaviors, knowledge and skills and uses regression analysis to determine statistical significance

Uchena and Kenechi (2016)	Women's cooperatives in rural Nigeria's financial behavior, social capital, and use of mobile money	Mobile payments are not widely used. Major because there aren't enough mobile money agents, especially in rural regions, and because banks chose to lead the industry rather than operators.	Did not operationalize financial attitude in its general sense and only considered women with membership in Cooperatives in Rural Nigeria. Hence a contextual and a conceptual gap.	The current study's focus in the Kenyan context is on the financial literacy of Kenya's small business owners in terms of awareness, attitude, behaviors, knowledge, and abilities, as well as their use of mobile money financing.
Uchena and Kenechi (2016)	Conducted a study on financial behavior enhancing mobile telephony accessibility	Money transfer adoption is important since so many individuals are willing to send and receive money via mobile money and because traditional money transfer methods are often unreliable.	The study's focus was on telephone companies.	SMEs in the salon industry were the subject of the recent study.

Source: Researcher (2022)

2.6 Study Variables and Conceptual Framework

The current study borrows the measure of financial literacy in a country as suggested by (OECD, 2005) recommended principles and good practices for financial education and awareness and (OECD, 2017)'s financial education for micro, small and medium-sized enterprises. In the two reports, financial literacy includes the awareness, attitudes, knowledge and skills to effectively use and manage financial resources. While the independent variables relate to the umbrella concept of financial literacy, the dependent variable is the use of mobile loan finance capital and that can be assessed by evaluating the frequency of loans/borrowings, amounts of loan and ease of making the loan application and processing payments especially because the payments are done using the mobile platforms.

Financial awareness is a concept founded on financial literacy and refers to that state of being aware of the existing financial solutions and how to use them (OECD, 2005). According to (Atkinson and Messy ,2012) awareness is influenced by the visibility of the financial solutions, perhaps through advertising and interactions from colleagues. Also, the experience in a field of business may make people know how to maneuver the inherent challenges and be aware of possible solutions when faced by a challenge. Awareness an entrepreneur regarding what colleagues are using an also enhance their literacy levels.

Another factor used to indicate financial literacy is the financial attitudes. These are the perceptions and feelings towards finance or financial solutions and related decisions. (OECD, 2017) report indicates that while attitude is internal it is demonstrated in how people tend to trust other people's opinions. For example, some people may be slow to accept certain solutions not because of anything, but simply because they perceive them

as insecure and risky. Thus, the fear either, to fail and be pursued by a lender or be blacklisted or the fear of technology driven financial solutions can derail decision making and uptake of mobile phone financial solutions.

Another indicator of financial literature is the financial behaviors of the consumers of the available financial solutions. According to (OECD, 2005) financial behavior is the ability to understand the impact of (personal, business or country) financial decisions made and then choosing the right ones. According to (Atkinson and Messy ,2012) the concept of financial behaviors can be traced in an individual's saving culture, mobile transfer usages, and thee borrowing culture as seen in the frequencies and evaluating their paying culture for the lend fund.

Also, financial literacy is quite obviously indicated by the financial knowledge and skills possessed by an individual. Financial knowledge and skills the abilities or expertise that one has, which guided him/her when making financial decisions (OECD, 2005). The concept can be operationalized by evaluating the knowledge, skills and financial literacy of a person. This form of literacy can also be assessed by evaluating the level of education of the person being targeted and includes whether they have experience in a certain trade and whether their education had a unit in business management (Atkinson & Messy, 2012). Figure 2.1 below is the conceptual framework for the current study.

2.6 Conceptual Framework

INDEPENDENT VARIABLES

Financial Literacy

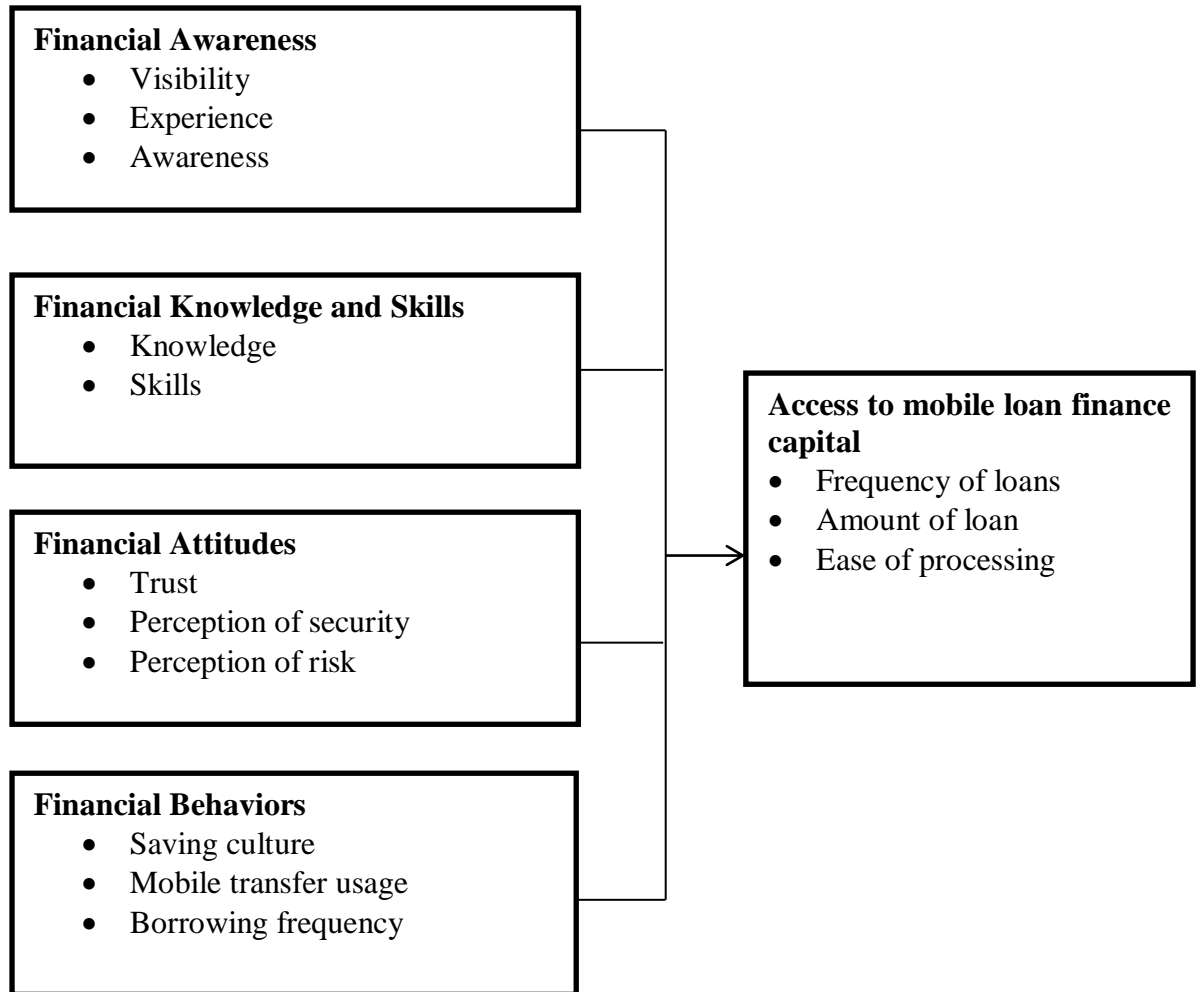


Figure 2.1: Conceptual Framework

Source: Author 2022

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the technique used to study financial literacy and small businesses' usage of mobile loans capital to fund businesses in Nairobi City County.

3.2 Research Design

The method utilized to carry out a study, from the data gathering procedure through the analysis and discussion of data, is referred to as a research methodology. Exploratory and descriptive research designs are two examples of research methods. A descriptive research approach was employed in the proposed study. This is because it explains the way things are.

3.3 Target Population

The salon businesses in the Kasarani subcounty of Nairobi City County, Kenya, are the study's target demographic. The salon establishments in Kasarani were chosen because, in terms of size and services provided, they correspond to the bulk of salons in Nairobi. The 122 salon establishments in Kasarani Sub-County that were still operating as of December 31, 2021 (Nairobi City County, 2022) were the focus of this investigation.

3.4 Sampling design

Because there were only a few manageable 122 Salon businesses, they were specifically chosen, and a census survey was used. The owners or managers of the salons served as the observational unit.

3.5 Data Collection Instruments

The study made use of primary data that was collected using a questionnaire. Both open-ended and closed-ended questions were included in the survey. All the respondents were literate, making it simple and time-efficient to conduct the questionnaire.

3.6 Data Collection Procedure

The research employed a drop and pick later technique using semi-structured questionnaires. The drop and pick later technique was chosen because of the convenience it offers to the respondents. Respondents had adequate time to fill in semi-structured questions thus facilitating a high response rate. A high response rate results into high quality heresiarch findings. The researcher administered the questionnaires using research assistants.

3.7 Pilot Study

To determine the validity of the questionnaire as a tool for gathering data, a pilot study was carried out. The study collected data from 10 salons in Nairobi City County, and analysed it to improve the questionnaire to enhance its reliability and validity. The respondents were chosen using simple random sampling.

3.7.1 Validity of Research Instrument

The validity of the research tool influences how accurately ideas are measured. Construct validity, criteria validity, and content validity are the three forms of validity. To assess the construct and content validity, the researcher consulted with the supervisor and experts in the finance field to help rectify the questionnaire.

3.7.2 Reliability

The capacity of a research tool to produce reliable results is measured by reliability. It is therefore utilized to determine if a research instrument is reliable. The research tool's internal consistency was evaluated using Cronbach's alpha. If the internal consistency level of the Cronbach's alpha test is 0.7 or greater, the questionnaire is regarded as trustworthy. This study used the cut off point of 0.7.

3.8 Data Analysis and Presentation

Quantitative analysis was used in this study. In the proposed research, data was analysed using SPSS. Regression analysis was conducted to determine statistics such as P-values, R and R square coefficients as well as the inferential statistics such as significant values also called p-values for comparison with alpha value which is the tolerable error of 0.05.

3.8.1 Operationalization and Measurements of Study Variables

The study variables are operationalized and measured as shown in table 3.2 below.

Table 3.1: Operationalization and Measurements of Study Variables

Variable	Operationalization	Measurements	Measurement Scales
Financial awareness	It is the ability to utilize awareness, attitudes, knowledge and skills to effectively manage financial resources.	<ul style="list-style-type: none"> • Visibility • Experience • Awareness 	<ul style="list-style-type: none"> • Interval
Financial attitudes	Perceptions and feelings towards finance or financial solutions and decisions.	<ul style="list-style-type: none"> • Trust • Perception of security • Perception of risk 	<ul style="list-style-type: none"> • Interval
Financial behaviors	It is the ability to understand the impact of (personal, business or country) financial decisions made and then choosing the right ones.	<ul style="list-style-type: none"> • Saving culture • Mobile transfer usage • Borrowing frequency 	<ul style="list-style-type: none"> • Interval
Financial knowledge and skills	The abilities or expertise that one has, which was guide him/her when making financial decisions.	<ul style="list-style-type: none"> • Knowledge • Skills • Financial literacy 	<ul style="list-style-type: none"> • Interval
Access to Mobile Loan Finance Capital	Refer to instances or amounts of mobile loan finance capital accessed by an entrepreneur	<ul style="list-style-type: none"> • Frequency of loans • Amount of loan • Ease of processing 	<ul style="list-style-type: none"> • Interval

3.9 Diagnostic Tests

Normality test is used to ascertain if a data set is normally distributed. Normality test was conducted using Shapiro-Wilk test because it is suitable for small sample sizes such

as in the current study. Homoscedasticity test measures the consistency of variance in data distribution. Data needs to have equal variances in order to bring forth accurate regression results. Breusch-Pagan test and Koenker tests are conducted to determine the homogeneity of variance. Multicollinearity test is used in multiple linear regressions to determine if predictor variables exhibit strong relationships. Strong relationships of predictor variables inflate R and R-square variables thus resulting into erroneous result interpretation. Tolerance statistic and Variance Inflation Factor (VIF) statistics was used to test multicollinearity. Autocorrelation test is a statistical situation in which data relates with itself in such a way that it can be used to predict its future change. Durbin Watson (DW) statistic was used for autocorrelation test in the proposed study.

3.9.1 Analytical Model

The multiple linear regression models are illustrated as follows:

$$Y = B_0 + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + \hat{\epsilon}$$

Where by:

Y- Access to mobile loan finance capital

B_0 – Constant

B_1 , to B_4 are the model coefficients

X_1 – Financial awareness

X_2 – Financial knowledge and skills

X_3 – Financial attitude

X_4 – Financial behavior

3.10 Ethical Considerations

This study acknowledges that completion of the entire research process should adhere to ethical requirements for a responsible researcher. The researcher ensured to abide by the ethical considerations by first obtaining required permission from relevant institutions to collect the required data. Also, respondents were not coerced or unethically induced to participate in the survey. They were accorded the right to participate and quit the process should they feel like it. In line with that, confidential information was not asked. The collected data was kept private and utilized just for the investigation. After completion of the entire research process and award of the degree, it is presumed that the data may no longer be useful and will therefore be destroyed. Soft copy files were control deleted and hand copies with raw data destroyed by shredding.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents data collected, results and discussions of the study findings on how financial literacy affects access to mobile loan finance capital by salon businesses in Kasarani Sub-County. Data was collected by administering questionnaires. The independent variables; financial awareness, financial attitudes, financial behaviors, financial knowledge, and dependent variable; access to mobile finance capital by salon businesses in Kasarani Sub-County, Nairobi City County were used.

4.1.1 Response Rate

The goal of the research was to gather information from the salon's owner or manager. The response percentage is shown in Figure 4.1. A total of one hundred and twenty-two (122) respondents participated in study. However, 98 respondents fully filled the questionnaire. This represented 80% response rate which according to Kothari (2010) was an excellent response rate for data analysis and interpretation.

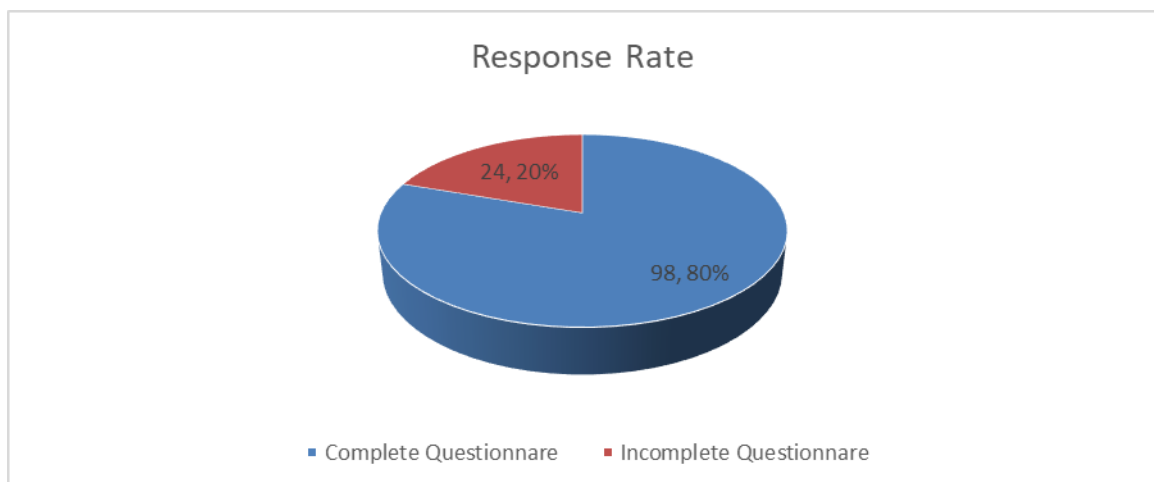


Figure 4.1: Response Rate
Source: Study Data (2022)

4.2 Demographic Characteristics

This section represents the demographic characteristics of the Salon owners/Managers. The demographic characteristics examined included gender, age, and the duration they have operated the Salon business. The results were as presented in Table 4.1.

4.2.1 Gender of the Respondents

Table 4.1 Gender of the Respondents

		Frequency	Percent
Valid	Female	89	90
	Male	09	10
	Total	98	100.0

Source: Study Data (2022)

Based on the study's findings, just 10% of salon owners/operators were men, while 90% of salon owners/operators were women. This indicates that the Salon businesses were mostly operated by women as most of the services offered in the business relate to women.

4.2.2 Age of the Respondents

Table 4.2 Age of the Respondents

		Frequency	Percent
Valid	below -34Yrs	34	35
	35Yrs – 44Yrs	57	58
	45Yrs – 54Yrs	7	7
	55Yrs & above	0	0
	Total	98	100.0

Source: Study Data (2022)

The study findings also indicated that majority (58%) were aged between 35- 44 years old, 35% were below 34 years old, and 7% were aged 45-54 years old while no one above 55 years operated the salon business in Kasarani sub county. This indicates that the business mostly favoured the middle age below 44 years with experience, energy, and networking capability.

4.3 Descriptive Analysis

Based on the dependent and independent variables of the study, descriptive results are presented in this section. The amount of agreement and level of dispersion were represented, respectively, by the mean and standard deviation.

4.3.1 Descriptive Analysis results on Financial Awareness

The goal of the study was to determine how financial awareness affected people's ability to acquire funds for mobile loan finance capital. An overview of the study's findings is provided in Table 4.3.

Table 4.3 Financial Awareness

	Mean	Std. Deviation
I keep my personal and professional finances separate.	2.623	.707
I receive a salary from the company, which I utilize for personal and living expenditures.	3.061	.775
I create an annual financial strategy for my company and periodically review it.	3.465	1.001
I create cash flow forecasts for my company.	1.453	.543
I am able to use the financial data in financial statements to operate my firm.	3.054	.876
Debt in a business is unavoidable.	3.998	.987
I am familiar with base rate, interest rate, and cost using the effective interest differences	1.243	.666
I choose loans with flat rates of payment over those with decreasing balances.	2.995	.556
I have an investing strategy in additional to my savings plan.	3.123	.549
Valid N (listwise)		

Source: Study Data (2022)

It is evident from the statistics in Table 4.3 that the business owners do not distinguish between personal and corporate money ($M=2.623$, $Std\ Dev=0.707$). The proprietors received a little compensation from the company, which they used to pay for their personal and home expenses ($M=3.061$). Many of the participants said that they create an annual financial strategy for their organization and routinely check it ($M=3.465$, $SD=1.001$). Further, the respondents argued that they had little or no knowledge on business plan, preparation, and interpretation of financial statements. However, moderate number of respondents had savings and investment plans.

The study agreed with Holik and Mulyeni (2019) study which demonstrated the importance of character education in ensuring that everyone is financially savvy. The successful people always have financial awareness in their inner heart. They can manage their wealth wisely and allocate it into investment smartly. Yahaya, Zainol, Abidin and Ismail (2019) further supported that SMEs level of financial awareness is moderate in comparison to those who did not take any financial management courses or those who did not have a better level of financial understanding. According to Kamunzyu & Kariuki's (2019) results, an increase of one unit in skills and financial awareness will result in an improvement in investment decisions. Additionally, a one-unit boost in debt management expertise would have a favorable, considerable impact on investing choices. Wahid, Salahuddin, and Noman (2018) made the argument that people, particularly working women, only understand that they deposit money in financial institutions in order to make money. They have no idea what they are doing specifically, and they have no idea that credit intermediaries exist and have certain functions.

4.3.2 Descriptive Statistics on Financial Knowledge

The goal of the study was to determine how financial expertise and knowledge affected people's ability to acquire mobile loan capital. An overview of the study's findings is provided in Table 4.4.

Table 4.4: Financial Knowledge

	Mean	Std. Deviation
I know what a 'real interest' means	2.031	.825
Strong financial skills increase access to mobile loan finance capital	4.300	.711
I am familiar with the distinctions between simple & compound borrowing costs.	2.123	.657
Borrowing is risky for the business	3.453	.786
High financial literacy increases access to mobile loan finance capital	4.123	.732
I am familiar with base rate, cost of borrowing, and cost using the effective interest differences	1.615	.862
Valid N (listwise)		

Source: Researcher (2022)

The results of this study showed that most salon owners stated they do not know what a real interest means (M=2.031, Std Dev=.825). While on the other hand a good number of the sampled respondents as indicated by a mean and standard deviation (M=4.46, SD=1.138) demonstrated that they strongly agreed that Strong financial skills increase access to mobile loan finance capital. The study's results also showed that, as evidenced by a mean and standard deviation (M=2.123, SD=.657), just a small percentage of the studied respondents understood the distinction between simple and compounded interest rates. According to the median and standard deviation (M=3.453, SD=.786), the majority of respondents thought borrowing was dangerous for the firm. A mean and standard deviation (M=1.615, SD=0.862) of the respondents show that the majority of them had minimal understanding of base rate, actual, and actual interest rates.

The results supported Hasan and Hoque's (2021) hypothesis that knowledge of key financial services parameters had a substantial influence on gaining access to finance. The general availability of credit was significantly influenced by a number of factors, including occupation, income level, familiarity with depositing and make withdrawals as well as interest rates. The study's findings, according to Kalwij et al. (2017), showed an association between financial literacy and saving habits that over time boosted availability to cash for mobile loans. According to Wagner (2017), improved financial literacy has a more significant effect on long-term financial behavior than it does on short-term financial conduct.

4.3.3 Descriptive Analysis Results on Financial Attitude

The research under this section aimed to determine how financial attitude affected people's ability to get funds for mobile loans. A overview of the study's findings is provided in Table 4.4.

Table 4.5 Financial Attitude

	Mean	Std. Deviation
I have just a transactional account, such as a bank account or a currency account for my phone or pay bills.	3.723	.767
I have a credit line, one retirement fund with a commercial bank, a mix of call and bank deposits bank deposits, and one checking account.	4.164	.675
For my everyday transactions, I utilize the following forms of digital payments.	3.565	.619
I have a strategy in place before I ask for a mortgage for how I want to spend the money.	3.322	.574
I follow my strategy after receiving the loan and make sure it is put to use as intended.	3.768	.879
I used the entire loan amount to expand my horizons.	3.987	.789
I have just a transactional account, such as a bank account or a currency account for my phone or pay bills.	3.009	.668
I have a credit line, one retirement fund with a commercial bank, a mix of call and bank deposits bank deposits, and one checking account.	2.786	.786
Valid N (listwise)		

Source: Researcher (2022)

A majority of the participants (M=3.723) indicated their agreement to having transactional accounts (such as bank deposits and mobile/paybill money accounts). The vast majority of participants (M=3.365) concurred that they only had one deposit account with a banking institution. Additionally, the majority of participants (M=3.322) concurred that they held a mix of call and term deposit term deposits. Majority (M=3.768) opined that they use mobile money to. payment of bills, payment to suppliers. The majority of those polled said that they have a strategy for how they'll spend the loan cash before requesting (M=3.987). Majority of respondents strongly believed that financial planning influenced their access to mobile loans. This was an implication that financial attitude on access to mobile loan finance capital.

According to Rai, Dua, and Yadav's (2019) research, financial behavior and attitude are more strongly correlated with working women's financial literacy than is financial education. Only 3 million people use mobile money, according to a study by Uchena and Kenechi (2016). The slow absorption of mobile money has been attributed in part to the adoption of a bank-led model rather than an operator-led model, due to lack of awareness, particularly in rural areas, and divergent regulatory frameworks between the Central Bank of Nigeria. Additionally, Karoline (2017) stated that mobile money has value since it creates a supportive framework.

4.3.4 Descriptive Analysis on Financial Behavior

This paragraph aimed to ascertain how financial conduct affected people's ability to acquire funds for mobile loans.

Table 4.6: Financial Behavior

	MN	Std.Dev
I maintain a bank account on my mobile phone (e.g. M-Shwari)	3.411	.666
I frequently use my funds to finance my company	4.004	.611
Borrowing frequency increases access to mobile loan finance capital	3.969	.544
Whenever the yields are high, I sell my stocks and debentures and make investments in my company.	2.122	.634
I direct the funds to business expansion plan after the credit is issued	3.017	.559
Valid N (listwise)		

Source: Researcher (2022)

The findings show that a majority of participants have a bank account on their mobile device (M=3.411). The study agrees that they regularly liquidate their savings to boost their business (M=4.004). The respondent agreed that borrowing frequency increases access to mobile loan finance capital (M=3.969). Because when returns are high, they said they seldom sell my shares or bonds and instead invest in my company (M=2.122).

They said they largely adhere to the strategy and make sure the loan monies are spent as intended (M=3.017).

The study concurs with Satoto and Budiwati (2020) that financial knowledge has a favorable impact on financial organization commitment and that stronger self-control in managing spending or consuming based on requirements that are anticipated is indicative of improved consumers when it comes. The management's knowledge, abilities, and confidence in economic management and planning together with their management and personal, will have a big impact on how they behave. Also in 2019, Sumaiah and Jayaprada discovered a link between financial conduct and financial independence. Mobile finance capital has increased privacy and value of remittances and increasing mobile money adoption as a mode of payment instead of travelling long distances.

4.3.5 Access to Mobile Loan Finance Capital

The goal of the study was to determine how salon proprietors might get mobile loan financing. An overview of the report's results is provided in Table 4.6.

Table 4.6: Access to Mobile Loan Finance Capital

	Mean	Std. Dev
I know various options to take when I need mobile loan capital	4.211	.894
I have used mobile loan capital in the past	4.234	.689
My business is partly financed through mobile loan capital	3.999	.577
I know of a friend who finances their business through mobile loan capital	3.882	.788
I now have an excessive debt, and I may find it challenging to pay it off.	4.008	.599
In contrast, I currently have an appropriate amount of debt that and I have no difficulties paying it off.	2.817	.589
Valid N (listwise)		

Source: Researcher (2022)

According to the findings in Table 4.6, the average score for obtaining mobile loan financing capital was 4.211, demonstrating a range of possibilities open to salon owners. The salon owners/operators whose business were financed through mobile loan capital were the majority (M=4.234, SD=.689). It was clear that majority had lots of debt capital and were unable to meet its repayment in the right time (M =4.008, S D= 0.599). These results are in line with those of the FSD(2013) access to financial services study, which showed that less than 20% of adults across all age categories and occupational groups utilize retirement and investment vehicles.

4.4 Inferential Analysis

4.4.1 Pearson’s Product Moment Correlation

To determine the degree of correlation between the research variables, a Pearson's Product Moment Correlation was performed. The results are shown in Table 4.7.

Financial Awareness	Financial Attitude	Financial Knowledge	Financial Behavior	Access to Loan	
Financial Awareness	1				
Financial Attitude	.98	1			
Financial Knowledge	-.104	.240	1		
Financial Behavior	-.244**	.050	.636**	1	
Access to Loan	.605	.571	.605**	.617**	1
	.98	.98	.98	.98	.98
	-.145	.278**	.636**	1	
	.099	.101	.600	.600	
	.98	.98	.98	.98	.98
	.987	.719**	.605**	.617**	1
	.000	.000	.000	.000	.000
	.98	.98	.98	.98	.98

Source: Researcher (2022)

According to study findings, which were shown in Table 4.7, there was strong, positive and significant relationship between financial awareness and access of mobile loan finance capital ($r = 0.987$, $p\text{-value} = 0.000$). The study also shows a significant and positive relationship ($r = 0.719$, $p\text{-value} = 0.000$) between financial attitude to access to mobile loan financing capital. Additionally, the study finds a significant and positive relationship ($r = 0.617$, $p\text{-value} = 0.000$) between financial behavior to access mobile loan financing capital. Finally, the study found that access to mobile loan financing capital and financial knowledge and skills had a very high, positive, and significant association ($r = 0.605$, $p\text{-value} = 0.000$).

4.5 Regression Analysis

The model summary, ANOVA findings, and coefficient of determination were all reported in the analysis section.

Table 4.8 Model Summary

Model	R	R Square	Adjusted R	Std Error of Estimate
1	.827 ^a	.684	.673	2.53209

a. Predictors: (Constant), Financial awareness, financial attitude, financial behaviors, financial knowledge

Source: Researcher (2022)

According to the results in the above figure, the adjusted R^2 (coefficient of determination) value was 0.673, which at a 95% confidence level indicates that there was a variance of 67.3% in access to mobile loans as a result of variations in financial knowledge. The pearson correlation (R) of 0.827, which is another finding of the study, indicates that access to mobile loans and financial literacy have a high positive link.

Table 4.9 ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1731.332	4	432.833	67.509	.000 ^b
	Residual	801.438	125	6.412		
	Total	2532.769	129			

a. Predicted Variable: Access to Mobile Loans

b. Independent variable:(Constant), Financial awareness, attitude, financial behaviors, financial knowledge

Source: Researcher (2022)

The results indicated that the model was statistically significant at 95% confidence interval (sig<0.000). The F calculated of 67.509 was greater than F critical (4, 125) of 4.86.

Table 4.10: Coefficient

Model		Unstandardized Coefficient		Standardized Coefficients	t	Sig.
		B	Std.Error	Beta		
	(Constant)	16.450	3.718		4.424	.000
1	Financial awareness	.442	.135	.171	3.276	.001
	Financial attitude	1.332	.101	.702	13.130	.000
	Financial behaviors	.803	.146	.373	5.502	.000
	Financial knowledge	.136	.155	.060	.877	.002

a. Dependent Variable: Access to Mobile Loans

Source: Researcher (2022)

The adopted model was $Y = 16.450 + 0.442X_1 + 1.332X_2 + 0.803X_3 + 0.136X_4 + \hat{\epsilon}$

The study sought to evaluate how financial literacy affects access to mobile loan finance capital by salon businesses in Nairobi City County. It involved assessing the significance of four relevant independent variables which included financial awareness, financial attitude, financial behaviors, and financial knowledge and skills. The coefficient for financial awareness (B1 =0.442) from Table 4.10 above was significant at the 5% level of significance (sig0.001). This meant that it was a factor that affects access to mobile

loan finance capital by salon businesses in Kasarani sub county, Nairobi City County.

The results also showed that a one-unit improvement in knowledge would result in a 0.442-unit improvement in access to financing for mobile loans. This meant that the more the salon owners were financially aware the more likely they were able to access financial services. This may be case since understanding basic financial concepts like risks and portfolio management is influenced by one's level of financial literacy. The study supported Holik and Mulyeni (2019) that successful people have always financial awareness in their inner heart. They can manage their wealth wisely and allocate it into investment smartly.

Further, from the findings in table 4.10 above, it was observed that the coefficient for financial attitude was significantly positive at 5% ($B_2=1.332$, $sig=0.000$). This shows that financial attitude was positively related to access to mobile loan finance capital by salon businesses in Kasarani sub county, Nairobi City County. This meant that the poor the financial attitude the lower the chances of seeking access to mobile loan finance capital. A variation in financial attitude by a unit led to variation in financial services accessibility by 1.332 units. The study findings were supported by Yahaya, Zainol, Abidin and Ismail (2019) that financial awareness does not significantly affect financial decision-making.

Table 4.10 showed that, at the 5% level of significance, financial activity was positively correlated with having access to cash for mobile loans ($B_2=0.803$, $sig=0.000$). Results show that increasing the financial behavior by a unit increased accessibility of mobile loans by 0.803 units. The study agrees with Satoto and Budiwati (2020) that financial behavior has a positive effect on financial management. Sumaiah and Jayaprada (2019) found a positive correlation between the financial behavior and the financial

empowerment

Table 4.10 showed that, at the 5% significant level, financial awareness was positively correlated with having access to funds for mobile loans ($B_2=0.136$, $\text{sig}=0.000$). Results show that increasing the financial knowledge by a unit increased accessibility of mobile loans by 0.136 units. The results support Hasan and Hoque's assertion that having awareness of numerous financial services elements significantly influenced one's ability to acquire credit in 2021.

CHAPTER FIVE

SUMMARIES, CONCLUSIONS AND RECOMMEDATIONS

5.1 Introduction

The important outcomes are outlined in this chapter along with a review of the study findings that came from the data gathering procedure. The results' broad ramifications are discussed. The four main objectives served as the study's guiding principles, and the chapter shows how well they were accomplished.

5.1 Summary of the Findings

This study sought to determine how financial education affected salon businesses in Nairobi City County's capacity to secure cash for mobile loan financing. This study employed a descriptive research technique to determine how financial literacy affects salon firms' access to mobile loan financing capital in Nairobi City County. The results demonstrated that the salon owners did not separate their personal funds from their business finances. Numerous respondents stated that they develop an annual financial strategy for their business and periodically review it.

According to the study's findings, a substantial number of the respondents who were chosen were uninterested in the concept of handling management fees being decreased by removing the need for customers to visit the bank through mobile banking and income reporting. Regarding. Additionally, they claimed to have little to no expertise of company plans, financial statement creation, and interpretation. According to the study's findings, the majority of salon owners claim to be unaware of what true interests are. On the other hand, a substantial portion of the selected respondents showed that they firmly believed that having great financial abilities increases access to funds for mobile loans.

The study's results also showed that just a small percentage of the selected respondents understood the distinction between simple & compound interest rates. The majority of those polled believed that taking on debt posed risks for the company. The majority of people said they knew nothing about base rate, nominal interest rate, and practical interest rate. The majority of respondents acknowledged having transaction account (such as current accounts and money-management accounts for mobile and pay bills). The majority of respondents said they only had one bank account with a banking institution. Additionally, the vast majority of respondents concurred that they held a mix of call and bank deposits bank deposits.

The majority claimed to use cellphone money to pay bills and pay merchants. The majority of responders claimed to have planned their use of the loan funds before applying. The majority of respondents were adamant that their ability to get mobile loans was impacted by their financial preparation. This implied that a person's financial outlook affected their ability to get funds for mobile loans. According to the data, the majority of participants had a mobile savings account. The study claims that they typically invest their funds in growing their companies. The respondent agreed that revolving credit makes it easier to get money for mobile loans. They said they never sell my bonds or shares when the yields are high and instead choose to invest in my business. They said that they normally adhere to the plan and ensure that the loan funds are used for the desired purposes.

5.3 Conclusions of the Study

The capacity of salon businesses in Nairobi City County to get mobile loan financing capital, according to research findings, may be impacted by financial literacy. The more financially literate a company's owners are, the more they will understand fundamental financial ideas including managing risk, bond yields, time value of money, and capital market dynamics. Financial knowledge influences better decision-making, which results in more informed borrowing, limited risk-taking, the use of associated diversification, and investment strategies.

The study also finds that the chance of adopting mobile financial services is significantly influenced by financial views. The Pearson Product Moment Correlation data revealed a positive and significant relationship between financial literacy, monetary attitudes, financial education, and accessibility to mobile lending finance capital.

5.2 Recommendations of the Study

The results from this research have the following recommendations on the effect to evaluate how financial literacy affects access to mobile loan finance capital by salon businesses in Kenya.

The finance industry should concentrate on creating solutions that cater to the actual needs of SMEs. The government and its partner agencies must develop, administer, and implement policies to support this crucial industry. This industry should get ongoing training in financial education, corporate strategy, fundamentals of finance, controlling cash flow, and the value of business ethics. There should be debates about capacity building in addition to finances. Wherever possible, development organizations should also provide assistance.

It is important to concentrate improving tasks like developing and evaluating policies and programs for small and medium-sized businesses. These regulations should help SME growth by resolving their funding issues. One of these funding constraints is the high interest rates charged on loans by banking institutions. Most SMEs, especially those in Nairobi County's Kasarani Sub County, work in low margin fields, hence they cannot afford loans with high interest rates. Building infrastructure for these businesses would be very beneficial. Roads and marketing services are part of this infrastructure. The road network in Kasarani Sub County, Nairobi County is in dire need of attention by the government as it's in a wanting state. The feeder roads are almost impassable especially during the rainy season. This will enable market access by the entrepreneurs and thus stimulate more production.

Initiatives to boost product development must be implemented in Nairobi County's Kasarani Sub County. One method to achieve this is through government-sponsored events like trade exhibitions. efforts that aid in building capacity for the invention, acquisition, and transfer of technology. Programs to improve general education, and in particular training in financial literacy, should be put into place. Acquire tools and programs for the full data collection that is broken down by location, legal systems, age, and other aspects in partnership with the key stakeholders. This will make it easier to plan effectively for the growth of this important industry.

5.3 Recommendations for Further Research

Due to the dynamic change and dynamism in the beauty market, what has been found is not all-inclusive because study only looked at original information. In light of this, recommendations for more research have been suggested. The financial literacy of salon companies in Kasarani Sub County was the primary topic of the study. However, given

that each salon has a unique orientation since it is managed by individuals, Since the atmosphere in the beauty business is complicated and extremely volatile, a more comprehensive study should be carried out to ascertain the relationship between financial literacy, the availability of mobile loan financing capital, client retention, and performance.

This study used a descriptive research design to reach the aforementioned results. Descriptive designs, on the other hand, doesn't alter data; instead, it observes events in their natural environments. The adoption of an experimental design, where variables can be controlled and quantified precisely, is advised by this study to compare the results on the impact of financial literacy on salon companies' access to mobile loan financing in the Kasarani subcounty of Nairobi City County. To determine whether equivalent outcomes are possible, comparative research in other East African beauty enterprises should be carried out. Lastly, a study might be conducted to assess how salon managers and owners see Kenya's financial education and accessibility to mobile loans. The results would provide the salon owners with an unbiased assessment of its significance in achieving business.

REFERENCES

- Abayomi, S.A (2010). Latest Development in Nigeria's Mobile Payments Regulatory Framework: Abuja: Central Bank of Nigeria Publications.
- African Development Bank Group (2018). *East Africa*. Retrieved from <https://www.africanbondmarkets.org/en/country-profiles/east-africa/>
- Agar, C. (2005). *Capital investment & financing: A practical guide to financial evaluation*. Oxford: Elsevier Butterworth-Heinemann.
- Asongu, S. A. (2013). How has Mobile Phone Penetration Stimulated Financial Development in Africa? *Journal of African Business*, 14, 1, 7-18.
- Atkinson, A. and F. Messy (2012), "Measuring Financial Literacy: Results of the OECD / International Network on Financial Education (INFE) Pilot Study", *OECD Working Papers on Finance, Insurance and Private Pensions*, No. 15, OECD Publishing.
- Banks, J., O'Dea, C., and Old_eld, Z. (2010). 'Cognitive function, numeracy and retirement saving trajectories', *The Economic Journal*, 120(548), pp. 380-410
- Blechman, J. G. (2016). Mobile credit in Kenya and Tanzania: Emerging regulatory challenges in consumer protection, credit reporting and use of customer transactional data. *The African Journal of Information and Communication (AJIC)*, 17.
- Bongomin, G.O.C., Ntayi, J.M., Munene, J.C. & Malinga, C.A. (2017). The relationship between access to finance and growth of SMEs in developing economies: Financial literacy as a moderator, *Review of International Business and Strategy*, 27(4), 520-538.
- Bucher-Koenen, T. and Lusardi, A. (2011). 'Financial literacy and retirement planning in
- CAK(2016). Communications Authority of Kenya, Sector Statistics Report for the financial year 2016/2017
- Delić, Anamarija, Oberman Peterka, Sunčica, & Kurtović, Ivan. (2016). *Is there a relationship between financial literacy, capital structure and competitiveness of smes?*. J.J.Strossmayer University of Osijek, Faculty of Economics in Osijek.
- Federal Reserve Report (2016) *consumers and mobile financial services* available at: www.federalreserve.gov/publications/default.htm. (Accessed 8th February 2018).
- Frederick, L. I. (2014). Impact of Mobile Money Usage on Microenterprise Evidence from
- Garman, T.E., Fogue, R.E., (2006). *Personal Finance* (8th ed[s]). Boston: Houghton Mifflin Company.

- Guiso, L. and Jappelli, T. (2009). Working Papers (212) Centre for Studies in Economics and Finance (CSEF), University of Naples, Italy.
- Holik, A and Mulyeni, S (2019) Financial Awareness Among the Teachers. *Economics Development Analysis Journal*. 8 (3).
- Hasan, M., Le, T. & Hoque, A. How does financial literacy impact on inclusive finance?. *Financ Innov* **7**, 40 (2021). <https://doi.org/10.1186/s40854-021-00259-9>
- Idris, F.H., Krishnan, K.S.D., Azmi, N., (2013) ‘Relationship between financial literacy and financial distress among youths in Malaysia: An empirical study’, *Malaysian Journal of Society and Space*, 9(4), pp. 106 – 117
- Jelley, H. (1958). A Measurement and Interpretation of Money Management Understandings of Twelfth-Grade Students (Doctoral dissertation, University of Cincinnati).
- Kamunzyu, B. I., & Kariuki, G. (2019). Effect of financial literacy on employees investment decisions at Kenya Ports Authority, Mombasa Kenya. *The Strategic Journal of Business & Change Management*, 6 (2), 640 – 657.
- Kalwij, A.S., Milena, R.A., Schonewille, D.G., Schors, A. & Werf, M. (2017). *The effects of financial education on financial literacy and savings behavior Evidence from a controlled field experiment in Dutch primary schools*. Available at: file:///C:/Users/Dancun/Downloads/rebo_use_dp_2017_1705.pdf (Accessed 7th February 2018).
- Karoline, J. (2017). Mobile Money Adoption in East Africa: A cross-country study of best- and least-performing countries. Department of Economic History.
- Nkundabanyanga, K. S., Kasozi, D., Nalukenge, I., & Tauringana, V. (2014). Lending terms, financial literacy and formal credit accessibility. *International Journal of Social Economics*, 41(5), 342-361.
- KBA Research Centre (2016), Research Note No. 27, November; (<http://www.kba.co.ke/>)
- Lusardi, A. and Mitchell, O. S. (2008) ‘Planning and Financial literacy: How do women fare?’ *American Economic Review*, 98(2), pp. 413-417.
- Lusardi, A. and Mitchell, O. S. (2009). How ordinary consumers make complex economic decisions: Financial literacy and retirement readiness. Working Paper 15350, National Bureau of Economic Research.
- Muchira, N. (2018). Dial a loan: Mobile credit drives vibrant SME sector in region. The East African. Available at <http://www.theeastafrican.co.ke/business/Mobile-credit-drives-vibrant-SME-sector-in-region/2560-4310968-u58wrl/index.html>
- Mutiria, M. (2017). Factors Influencing Small And Medium Size Enterprises Access To Financing: A Case Of Kiambu County, Kenya. United States International University. Thesis for a Degree of Masters of Business Administration.

- OECD (2005). Recommendation on principles and good practices for financial education and awareness. *OECD*. www.oecd.org/finance/financial-education/35108560.pdf
- OECD (2017). Financial education for micro, small and medium-sized enterprises in Asia, *OECD*. <https://www.oecd.org/finance/Financial-education-for-MSMEs-in-Asia.pdf>
- Perry, V.G., Morris, M.D., (2005). 'Who is control? The role of self-perception, knowledge, and income in explaining consumer financial behavior', *Journal of Consumer Affairs*, 39(2) pp. 299- 312
- Rajiv, L. & Ishan, S. (2015). *Mobile Money Services - Design and Development for Financial Inclusion*. London: Routledge
- Ramji, M. (2008). Financial inclusion in gulbarga: Finding usage in access. Centre for Micro_nance, Leveraging Evidence for Access and Development (IFMR LEAD).
- Robb, C. A., Woodyard, A., (2011). 'Financial knowledge and best practice behavior', *Journal of Financial Counseling and Planning*, 22(1), pp. 23-33
- Scupola, A. (2012). *Innovative mobile platform developments for electronic services design and delivery*. Hershey: Business Science Reference.
- Shinta Heru Satoto, and Sri Budiwati W. P. (2020) studied. The Effect of Financial Literacy on Financial Management Behaviour with Self-control as Intervening Variable. DOI: 10.5220/0009960501790186 *In Proceedings of the International Conference of Business, Economy, Entrepreneurship and Management*, pages 179-186 ISBN: 978-989-758-471-8.
- The Economist(2013) *why Kenya leads the world in mobile money*. Available at: <https://www.economist.com/blogs/economist-explains> (Accessed 8th February 2018).
- The Standard & Poor's Ratings Services Global Financial Literacy Survey. (2014). *Global Financial Literacy Excellence Centre*. Retrieved from <http://gflec.org/initiatives/sp-global-finlit-survey/>
- Uchena, C.& Kenechi, J. (2016). *Mobile Money, Social Capital, and Financial Behavior of Women's Cooperatives in Rural Nigeria*. London: Cengage Learning
- Wachira, M.I. & Kihui, E.N. (2016). 'Impact of Financial Literacy on Access to Financial Services in Kenya', *International Journal of Business and Social Science*, 3(19), pp. 42-50
- Wagner, J. (2017). *The Effects of Financial Education on Short-term and Long-term Financial Behaviors*. Available at: file:///C:/Users/Dancun/Downloads/TheEffectsOfFinancialEducationOnSh_preview.pdf (Accessed 7th February 2018).
- Wahid, A., Salahuddin, M., & Noman, A. (2018). Saving investment correlation in south Asia: A panel approach, *European Journal of Economics and Administrative Sciences*, Issue 11.

- Weston J.F., Brigham E.F., (1981). *Managerial Finance* (7 th ed.) in Holt-Saunders.
- Xiao, J.J, Dew, J., (2011) 'The financial management behavior scale: development and validation', *Journal of Financial Counseling and Planning*, 22(1), pp. 49-53.
- Yan, Z., (2015). *Encyclopedia of mobile phone behavior*. Hershey: Business Science Reference.
- Yahaya, R., Zainol, Z., Abidin, J. H. O. @ Z., & Ismail, R. (2019). The Effect of Financial Knowledge and Financial Attitudes on Financial Behavior among University Students. *International Journal of Academic Research in Business and Social Sciences*, 9(8), 22–32.
- Yeo, J.H. & Fischer, P.J. (2017). Mobile Financial Technology and Consumers' Financial Capability in the United States. *Journal of Education and Social Policy*, 7(1), 80-93.
- Zakaria, R.H., Jaafar, N.I.M., & Marican, S., (2012). 'Financial Behavior and Financial Position: A Structural Equation Modeling Approach, Middle-East', *Journal of Scientific Research*, 12(10), pp. 1396-1402.

APPENDICES

Appendix I: Introduction Letter

Dear Respondents,

As a student, I am doing research to determine how financial literacy affects small businesses' ability to acquire mobile loan financing resources. To complete this study, the data I'm attempting to gather will be useful. The survey is confidential. If you don't want the final response, you don't have to jot down your identity or any other sensitive information. Please check the box next to your responses to the questions below so that I can do my study.

Thank you for your participation!

Sarah Makasi

Appendix II: Questionnaires

Part 1: Demographic information

a) Please indicate your gender

Male

Female

b) Please check the relevant box to show your age.

below -34Yrs []

35Yrs – 44Yrs []

45Yrs – 54Yrs []

55Yrs & above []

Part 3: The influence of financial awareness on access to mobile loan finance capital

On a scale of 1 to 5, where 1 is Strongly Disagree, 2 is Disagree, 3 is Moderate, 4 is (Agree), and 5 is Strongly Agree, please indicate how much you agree with the following variable.

	1	2	3	4	5
I keep my personal and professional finances separate.					
I receive a salary from the company, which I utilize for personal and living expenditures.					
I create an annual financial strategy for my company and periodically review it.					
I create cash flow forecasts for my company.					
I create financial reports for my company (Balance Sheet, Income statement)					
I am able to use the financial data in financial statements to operate my firm.					
Debt in a business is unavoidable.					
I am familiar with base rate, interest rate, and cost using the effective interest differences					
I choose loans with flat rates of payment over those with					

decreasing balances.					
I have an investing strategy in addition to my savings plan.					

Part 4: The influence of knowledge and skills on access to mobile loan finance

capital

On a scale of 1 to 5, where 1 is Strongly Disagree, 2 is Disagree, 3 is Neither Agree nor Disagree, 4 is (Agree), and 5 is Strongly Agree, please indicate how much you agree with each of the following factors.

	1	2	3	4	5
I know what a 'real interest ' mean					
Strong financial skills increase access to mobile loan finance capital					
I am familiar with the distinctions between simple and compound borrowing costs					
Borrowing is risky for the business					
I choose loans with flat rates of payment over those with decreasing balances.					
I am familiar with base rate, cost of borrowing, and cost of using the effective interest differences					
High financial literacy increases access to mobile loan finance capital					

Part 5: The influence of financial attitude on access to mobile loan finance capital

On a scale of 1 to 5, where 1 is Strongly Disagree, 2 is Disagree, 3 is Neither Agree nor Disagree, 4 is (Agree), and 5 is Strongly Agree, please indicate how much you agree with each of the following factors.

	1	2	3	4	5
I have just a transactional account, such as a bank account or a currency account for my phone or pay bills.					
I have a credit line, one retirement fund with a commercial bank, a mix of call and bank deposits bank deposits, and one checking account.					
For my everyday transactions, I utilize the following forms of digital payments.					
I have a strategy in place before I ask for a mortgage for how I want to spend the money.					
I follow my strategy after receiving the loan and make sure it is put to use as intended.					
I used the entire loan amount to expand my horizons.					
I have just a transactional account, such as a bank account or a currency account for my phone or pay bills.					
I have a credit line, one retirement fund with a commercial bank, a mix of call and bank deposits bank deposits, and one checking account.					

Part 6: The influence of financial behaviour on access to mobile loan finance capital

On a scale of 1 to 5, where 1 is Strongly Disagree, 2 is Disagree, 3 is Neither Agree nor Disagree, 4 is (Agree), and 5 is Agree With the statement, please indicate how much you concur with following variable.

	1	2	3	4	5
I maintain a bank account on my mobile phone (e.g. M-Shwari)					
I frequently use my funds to finance my company					
Borrowing frequency increases access to mobile loan finance capital					
Whenever the yields are high, I sell my stocks and debentures and make investments in my company.					
I direct the funds to business expansion plan after the credit is issued					
I reinvest in my firm and sell my bonds and investments when the dividends are high. I hold onto my funds until they are fully invested.					

Part 7: Access to mobile loan finance capital

Please rate your degree of agreement with the following variable on a scale of 1 to 5, where 1 represents strongly disagree, 2 disagree, 3 disagree but not strongly, 4 agree, and 5 represents strongly agree.

	1	2	3	4	5
When I require a mobile loan, I am aware of several choices.					
I've previously utilized capital from mobile loans.					
Mobile loan capital is used to fund a portion of my business.					
I have a buddy that uses mobile loan financing to fund their business.					
I now owe too much money and it could be difficult for me to repay it.					
There are no difficulties with the amount of debt I now have, either.					

Appendix III: Approval Letter



KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke

Website: www.ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 810901 Ext. 4150

Internal Memo

FROM: Dean, Graduate School

DATE: 24th June, 2022

TO: Sarah Minoo Makasi
C/o Accounting and Finance Dept.

REF: D53/OL/CTY/26236/2015

SUBJECT: APPROVAL OF RESEARCH PROPOSAL

We acknowledge receipt of your revised Research Proposal as per our recommendations raised by the Graduate School Board of 26th June, 2022 entitled "Financial Literacy And Access To Mobile Loan Finance Capital by Small Enterprises: Salon Businesses in Nairobi City County , Kenya."

You may now proceed with your Data Collection, Subject to Clearance with the Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School Completed Supervision Tracking and Progress Report Forms per semester. The forms are available at the university's website under Graduate School webpage downloads.

Also, please ensure that you publish article(s) from your project before submitting it to Graduate School for examination as per the Commission for University Education and Kenyatta University guidelines.

Thank you.

ANNBELL MWANIKI
FOR: DEAN, GRADUATE SCHOOL

C.c. Chairman, Department of Accounting and Finance

Supervisors:

I. Dr. Jeremiah Koon
C/o Department of Accounting and Finance
Kenyatta University

Appendix IV : Research Permit

 REPUBLIC OF KENYA	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Ref No: 890673	Date of Issue: 23/September/2022
RESEARCH LICENSE	
	
This is to Certify that Ms. Sarah Minoo Makasi of Kenyatta University, has been licensed to conduct research in Nairobi on the topic: FINANCIAL LITERACY AND ACCESS TO MOBILE LOAN FINANCE CAPITAL BY SMALL ENTERPRISES: SALON BUSINESSES IN NAIROBI CITY COUNTY, KENYA for the period ending : 23/September/2023.	
License No: NACOSTI/P/22/20597	
890673	
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.	