URBAN YOUTH SAVINGS MOBILIZATION: A CASE STUDY OF NAIROBI CITY COUNTY, KENYA

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A RESEARCH STUDY SUBMITTED TO THE DEPARTMENT OF ECONOMIC THEORY IN THE SCHOOL OF BUSINESS, ECONOMICS & TOURISM IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF ECONOMICS (POLICY & MANAGEMENT) OF KENYATTA UNIVERSITY.

14TH AUG 2024

DECLARATION

This research study is my original work and has not been submitted for the award of a degree in any other University.

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DEDICATION

This work is dedicated to my parents for their prayers and support.

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LIST OF ABBREVIATIONS

APC-Average Propensity to Consume

ASCAs- Accumulating Savings and Credit Associations

BLCT-Behavioral Life Cycle Theory

GDP-Gross Domestic Product

KNBS-Kenya National Bureau of Statistics

LIH-Lifecycle Income Hypothesis

MPC-Marginal Propensity to Consume

MFIs-Micro-Finance Institutions

ROSCA- Rotating Savings and Credit Associations

PIH-Permanent Income Hypothesis

SACCOs- Savings and Credit Co-Operative Society

FFI-Formal Financial Institutions

IFI-Informal financial institutions

MU-Marginal Utility

SFI-Semi-Informal financial institution.

OPERATIONAL DEFINITION OF TERMS

Gross Domestic Savings (GDS)- GDS include private corporate sector savings, public sector and household sector savings.

Household- A single unit of individuals who live together and make joint economic decsions. Households are considered basic units of economic analysis and are critical for understanding consumption, savings and labor supply behaviors.

Savings- Refers to income not spent on current expenditure.

Urban youth-these are young people between the age of 18 and 34 years living in an urban context, in this study, Nairobi City County.

Youth are those persons that are at the transitioning stage to adulthood and parenthood. They are aged between 18-34 years (Article 260 of the Kenyan Constitution, 2010).

ABSTRACT

Savings play a vital role as they act as backstop for capital formation and economic growth. A better saving behavior is the basis of a sound economic and financial policy. Studies on savings have historically taken a central position in several economic research areas. Issues and problems related to savings among households and individuals have gained significant importance in microeconomic studies as savings stimulate larger investments and higher gross domestic product growth. Studies conducted in developing countries have shown that savings remain low particularly among the youth due to various factors such as high unemployment rates, low incomes,limited access to financial services and high dependency rates among other factors. Low saving culture inhibits the availability of investment funds. Low savings among the youth in Kenya stems from almost similar factors which have hindered substantial increase in domestic savings for economic growth. This research study therefore sought to examine the effect of income and employment on the urban youth savings using Ordinary Least Squares estimation method. The goal was to get an understanding on the effect of income and employment factors on the uptake of savings by the urban youth in Nairobi City County. A cross-sectional research design was adopted where primary data was collected from the youth in Nairobi City County. Random samping technique was used to select the respondents in the survey where self-administered questionnaires were used to collect data from 400 urban youth. The study's results demonstrated a positive relationship between employment and income on the urban youth level of savings in Nairobi City County. Other factors such as rate of return was found to positively affect savings while factors such as age, number of dependants and education affected savings negatively.The study concluded that creating more employment opportunities for the youth, promoting their incomes through quality jobs and through revitalizing both the formal and informal sectors and offering higher rate of returns on savings would be critical in mobilization of savings.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The importance of savings is well articulated in the economic literature on savings. Many studies have demonstrated that proper saving behavior is positively associated with economic well-being of an individual, household and the national economy (Arezki et al. 2017; Kadir & Jamaluddin, 2020; Ribaj & Mexhuani, 2021). Arezki et al. (2017) argue that domestic savings have always provided grounds for capital formation and acted as economic pillars for development. Savings are also connected with economic growth, financial stability, poverty reduction, macroeconomic balance, and sustained development (Kadir & Jamaluddin, 2020). Accordingly, low levels of domestic savings would lead to low levels of loanable funds for investment. As per the United Nations Confrence on Trade and Development(2004), the major factor in boosting in-country investment funds or capital is by increasing domestic savings. Consequently, developing countries must prioritize mobilization of savings so that capital can be invested to the most productive economic processes.

The Neoclassical growth models such as Ramsey (1928), Cass-Koopmans (1965) and endogenous growth models such as Harrod(1939), Domar(1946), Romer(1986) as well as Barro & Sala-i-Martin(2004) assert that savings are critical to economic growth through capital formation. Additionally, Solow growth model (1956) postulated that holding technology constant, growth in the economy is influenced by the rate of growth in population and national. Capital accumulation therefore would be boosted by policies that aim at increasing savings rates and the capital imports or foreign savings.

Even though, savings are undoubtedly the bedrock of capital formation and economic growth, across the Sub-Saharan countries saving rates have been persistently low averaging 17.3 percent of the GDP (Ribaj & Mexhuani, 2021). In Kenya saving rates have persistently ranged between 10-14 percent of the (GDP) compared to lower middle income countries such as Vietnam which save about 33 percent of their (GDP) (Hill, 2020). Upper middle income countries such as China save about 50 percent of its GDP (Zhang et al., 2018). In general, the rates of saving in Kenya from 1971-1979 averaged 17.8 percent, 1980-1991 averaged 18.8 percent, 1992-2007 averaged 13.78 percent and 2008-2019 averaged 14 percent below the Vision 2030 target of 28 percent (Musamali et al.,2022).Gross domestic saving rates in Kenya have continued to fluctuate over the years and particularly in the past ten years during the implementation of Vision 2030. Figure 1.1 plots the saving rates in Kenya in percentages between 2010 and 2021.

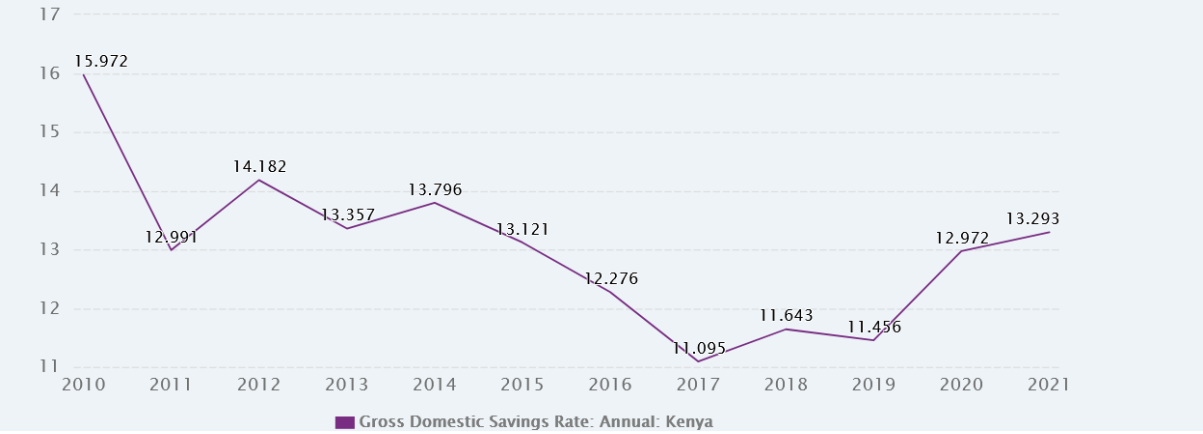

Figure 1.1: Gross Domestic Savings as a percentage of the GDP in Kenya 2010-2021

Source: Census and Economic Information Center (CEIC), 2021

Figure 1.1 shows the trends in domestic saving rates in Kenya for the period 2010-2021. In the past decade, the gross domestic savings rates have been in the range of 10-14 percent recording a higher rate of 15.9 percent in 2010 and a lower rate record of 11.095 percent in 2017.

The challenge of increasing savings among the developing countries is exacerbated by the fact that about 80 percent of the youth from poor households have low or no incomes and are completely excluded from the financial systems (Johnson et al., 2018). The inadequacy in the mobilization of youth savings particularly in developing countries such as Kenya is further compounded by the fact that about 90 percent of the youth are in low income brackets, not optimistic that a better living standard and financial inclusion is possible and this results to millions of youth floundering in frustration and poverty bringing fragile countries down with them. Due to inadequate incomes, globally, about 2.5 billion youth are excluded from financial services including savings limiting them from accessing saving products particularly those offered by formal financial institutions. In Africa, saving rates average 18.3 percent of the GDP. The low saving rates are further depicted by the prevalence of savings accounts by youth in Africa where it ranges from 12 percent as compared to other continents such as Pacific and Asia that have a 50 percent youth savings account prevalence (Johnson et al., 2018).

According to Retirement Benefit Authority Report (2009), the most affected demographic group with poor income savings habits in Kenya is the youth as over 50 percent of the Kenyans who are non-savers are youth. Among the savers, the average rates remain far below the minimum target rate of 20 percent of their incomes (Authority, 2009). Savings among youth in Kenya still lags at 12 percent(Kagotho et al., 2017). Disappointingly, youth are 33 percent unlikely to have savings accounts as compared to adults and 44 percent unlikely to save in the formal sector (Johnson et al., 2018). Additionally, most of the incomes saved by the youth are low and irregular.

Other than income, employment is a critical factor that can enhance the saving culture of the youth through increased incomes and through enhanced productivity. The effort to creating employment opportunities especially among the youth in Kenya has been hampered by shrinking economy,

corruption, pervasive income instability and labor market fragmentation. It is estimated that more than 126 million working youth are living in extreme and moderate poverty across the globe, (Sumberg et al.,2021). With growth in youth population and slow economic growth rate, across the globe, it is expected that the rate of unemployment will increase gradually over time.

Kenya has experienced a downward trend in employment of the youth despite several attempts by the government to create employment opportunities for youth. The labour market in Kenya is also fragmented with formal and informal sector subdivisions yielding few opportunities. The formal sector is characterized with high rates of unemployment and low wages relative to the cost of living while the informal sector is characterized with low incomes and wages(Boti Phiri, 2022). These low wages and incomes account for the low rate of productivity in the economy among the youth. While Kenya has witnessed an economic growth rate averaging 5.3 percent in the past decade, the country has not achieved a corresponding employment growth rate due to fact that this growth rate has been majorly in the service industry which generated few employment opportunities.

Further, to achieve higher domestic savings rates, youth being the backbone of the Kenyan population should be encouraged to save. Mobilization of youth savings is therefore critical to capital formation and in boosting aggregage domestic savings (Kagotho et al., 2017). Adequate mobilization of domestic savings is a major government objective due to the fact that it has profound effect on economic growth. Achieving a better youth saving culture would have a ripple effect on average domestic savings (Kagotho et al., 2017). With better saving culture, youth could accumulate capital to start businesses, invest, and cushion against unforeseen circumstances, eventually putting them better off (Flynn & Sumberg, 2018). The empirical analysis on urban youth income, employment and savings in this study would therefore be useful for several reasons. First focusing on the effect of income and employment on youth savings would pinpoint as to

policy approach to adopt to influence the mobilization of their savings. Secondly, youth provide a population dividend since they form the backbone of the national population. By encouraging youth to save, the national domestic savings would improve significantly, and investments would be boosted.

Zou et al., (2015) has indicated that youth are eager to participate in saving if they received the right support including creation of employment opportunities and including them in financial development. Interestingly, Flynn & Sumberg (2018) also found that youth savings created employment in Africa as savings acted as a source of capital for businesses and innovations. There is however need for a deeper understading of the saving behavior of the youth. A majority of literature studies have nevertheless paid more emphasis on household savings neglecting the diseggregated youth population. Therefore, this study empirically analyzed the effect of income and employment on urban youth savings to gain insights on their saving behavior.

1.1.1 Savings and Income

Saving behaviour has for a long time received great attention leading to a number of theories. Neoclassical theories of saving followed by life cycle hypothesis by Modigliani & Brumberg (1954) and then followed by permanent income hypothesis by Milton Friedman (1957) emerged to explain the determinants of the saving behaviour of economic agents. These theories focused mainly on income as the main determinant of saving behaviour. The theories support the notion that as income increases, households and individuals would have a higher marginal propensity to save. This is due to the fact that there would be a diminishing marginal utility to consume and therefore households and individuals with excess income would likely save it. On the other hand, it is expected that households and individuals with low incomes would save less. However, if there is an increase in income of the low income households, there would be a large increase on savings

as compared to a rise in income of the wealthy (Fagereng et al.,2019). The nature of income also tends to affect savings where income uncertainty and irregularity may increase the propensity to save as supported by the buffer stock theory. On the other hand, income certainty may not have the same influence on savings as income uncertainty may have.

Globally, the ability of the youth to save is significantly affected by income levels. Ideally, income is a critical variable that impact significantly on the savings and saving behavior of the households and individuals. The trend across the globe is that a majority of the youth are unemployed and have little or no sources of income (Fagereng et al.,2019). This is compounded by the fact that youth are great spenders and have poor access to financial services and consequently have a lower propensity to save their incomes. Additionally, majority of low income youth save mainly informally despite the fact that studies demonstrate that formal institutions are superior in increasing savings and investments for low income households through tangible returns. From the theoretical perspectives on savings including the behavioral lifecycle theory of saving, raising incomes and financial knowledge of the youth on saving habits would influence positively their savings (Fagereng et al.,2019). A body of literature suggests that access to formal financial services should be encouraged for low income households and individuals.This would increase access to saving products, income and investments. Temporarily offering financial incentives to save could generate sustained impacts on investment behavior and savings and this would impact income in the long run and consequently savings for households and individuals (Schaner, 2018).

1.1.2 Saving and Employment

When a large percentage of households are employed and their incomes are higher,it is expected that consumption and savings would be impacted. Economic empowerment of households and individuals in terms of higher earnings, greater workforce participation and increased opportunities

is likely to enable increased savings. The amount of personal savings arising from increased earnings from employment is critical in influencing the level of household wealth and national income (Alesane et al.,2019). One aspect that explains the reason for lower rates of savings among the youth is the wage inequalities and high unemployment rates. Low youth employment rates would jeopardize the economic growth rate by lowering savings and investments particularly in low and middle income countries such as Kenya given the fact that youth form the population bulk.

Though employment is expected to influence savings positively among the youth due to increased earnings, labor market obstacles and inequality may create uncertainty as to the direction of savings as divergent economic and social circumstances create lower youth savings (Schaner, 2018). In many developing countries Kenya included, youth are only relegated to low income employment and positions and would therefore have low incomes which consequently would have little positive impact on savings (Alesane et al.,2019). Additionally, higher inflation rates in developing countries tend to diminish earnings from employment leading to low savings and therefore in such a case employment would be expected to be counter-intuitive on savings. Individuals and households with employment instability would be expected to have a higher precautionary savings while households and individuals with more stable jobs are expected to have a lower precautionary saving motive. Nevertheless, to influence saving positively, there would be need for a labor market resiliency characterized by low unemployment rates and solid growth in job and equality.

1.1.3 Nairobi City County and the Youth Contextual Analysis

Kenya is a young nation, as approximately 75 percent of the 47.6 million Kenyan populations is aged below 35 years (Kenya National Bureau of Statistics, 2019).Youth aged 18-34 years were

13.6 million or 29 percent of the population in Kenya with males being 6.5 million and females 7.1 million (Kenya National Bureau of Statistics, 2020).A large share of the Kenyan population however live in the rural areas accounting for 68.9 percent with a wide base of rural population being below 15 years (Kenya National Bureau of Statistics, 2019). The selection of Nairobi City County as a study area was informed by its urban and cosmopolitan nature which provided rich source of data and information about the youth.

Nairobi City County has a population of 4.4 million (Kenya Population and Housing Census, 2019). It is estimated that the county generates about 45 percent of the GDP given the fact that it is a major financial, industrial and manufacturing hub. About 60 percent of county's population comprises youth under 35 years, with those aged between 18-34 years estimated at 31 percent (Kenya National Bureau of Statistics, 2019). The high youth population presents an opportunity to harness demographic dividends and invest in sustained financial and economic development. Despite the high population with an opportunity to mobilize their savings, about 43 percent of the youth in the county are unemployed with low incomes (Kenya National Bureau of Statistics, 2019). The high level of unemployment coupled with the higher spending on food, education and housing averaging 46 percent of their income leave youth with minimal income to save.

1.2.4 Trends in youth employment and Income

While youth have enormous potential for the labor market development, the rate of employment for this population remain low where unemployment rate averages 38.9 percent in Kenya. Across the globe youth have experienced challenges in securing stable employment opportunities especially in developing countries. Young people particularly those aged between 15-24 years face severe difficulties in securing quality employment (Njifen, 2023). The rate of unemployment for the youth is estimated to be two times as high as that of adults aged more than 35 years anywhere

across the globe (Njifen, 2023). In countries such as South Africa unemployment rate is so high averaging 55.83 percent, a rate that is four times the average. In Kenya the rate of unemployment for the youth has been estimated to be 38.9 percent as per the Kenya National Bureau of Statistics (2019). Surprisingly, the rate of unemployment among Kenyans has grown over the years with an increase of 2.94 percent in 2023 reflecting the labor market obstacles with youth aged below 29 years being the most affected (National Bureau of Statistics, 2019). With low employment rates, it is apparent that youth have limited sources of earnings which consequently affect their saving behavior.

Majority of youth are classified in the low income groups with large population of low income youth being concentrated in the Sub-Saharan Africa (Njifen, 2023). Intriguingly, a quarter of the youth employed have been classified as moderately or extremely poor as per the International Labor Organization. In Madagascar and Burundi 90 percent of the youth fall into the either of these categories. In Bangladesh and India about 50 percent of the youth population is classified as extremely poor or moderately poor with low incomes (Njifen, 2023). Majority of countries where youth have low income levels are in Africa where poverty rate for the employed youth averages 39 percent. In Kenya, low productivity and low income jobs is prevalent among the youth with 80 percent of the employed youth being in vulnerable jobs where they earn low income in addition to many labor market challenges (Kenya National Bureau of Statistics, 2019). Low incomes coupled with growing levels of unemployment act are likely to act as barriers to productive capital formation for economic growth through savings mobilization.

To address the youth challenges of income inequalities and unemployment there is need for evidence based solutions that are adapted and tailored to the local and national contexts in a bid to boost savings. Key aspects that would be effective in ensuring inclusivity of the youth would

entail secure resource and budget allocations towards alleviating poverty and increasing employment rates for the youth population and providing strategic vision. With better youth development, financial inclusivity in areas such as national investments savings would be boosted as youth population continue to grow. Additionally, use of accurate and timely data on youth situation while at the same time integrating and mainstreaming youth policies across various sectors would provide profound outcomes on youth development and reset their participation in economic growth through savings mobilizations and capital formation (Fung & Nga, 2022).

1.2 Statement of the Research Problem

Savings are important to economic growth as increased savings would facilitate more rapid expansion of the capital stock and consequently higher investment rates and eventual economic growth would be realized. Despite this, saving rates in Kenya have been perpetually low even when compared with its regional peers Uganda and Tanzania that save on average at least 20 percent of their GDP (Abdul, 2022). Currently, the annual national savings rates for the country average 10-14 percent, far below the target rates of 25-28 percent (Government of Kenya, 2007). Therefore, it is essential to encourage the mobilization of savings to boost national savings, particularly among young people, who make up 75 percent of the Kenyan population, with those aged between 18-34 years constituting 29 percent of the population (Kenya National Bureau of Statistics, 2019). Accordingly, youth, demographically the largest segment in Kenya should be encouraged to save proactively. Further, Kenya's Vision 2030 focuses on promoting a competitive, efficient, and sound banking system and strong financial institutions that are well-supervised and regulated and can mobilize savings and provide financial support for the growth of the private sector.

Though there have been some interventions to increase savings among the youth by financial institutions such as Kenya Post Office Savings Bank through creation of tailor made savings products and programs, savings among the youth remain low than expected. This affects the youth's financial stability as well as denyimg them the opportunity to accumulate capital for investments. More so, lack of adequate saving among youth constrains the mobilization of domestic savings in Kenya given the fact that youth forms the bulk of the population. In spite of this trend, youth have a great potential to save if great effort is put in studying their saving behavior and in creating sustainable savings products and programs (Mbuthia & Ndiritu, 2020). Nevertheless, youth saving behavior remains understudied and associated with preconceived but untested notions. It is assumed that youth particularly the urban youth have a higher preference for spending and therefore are out of touch with financial institutions, particularly the formal ones, and therefore will save less. More so, youth saving behavior is likely to be intensely constrained by high irregular and low incomes as well as rates of unemployment averaging 38% in Kenya.

Furthermore, literature on youth savings in Kenya is scarce since only few studies exist such as Kagotho et al (2017); Flynn & Sumberg (2018) and Rashid & Ondiek (2018). The existing studies on youth savings have not analyzed the effect of employment and income on the saving levels of the urban youth. Existing literatures such as Ribaj & Mexhuani (2021), Steinert et al. (2018), Kadir & Jamaluddin (2020), and Hill (2020) have mainly analyzed household and general population's savings without disaggregating savings behavior by demographic categories such as youth. Further, previous studies have not been conclusive about the effect of income and employment on urban youth savings (Chakravarty & Vaillant, 2017, Konya & Nyakwara ,2019). There is therefore need for knowledge on what is the effect of employmet and income on urban youth savings.In

regard to the above literature, the objecvtive of this study was to analyze the effect of income and employment on urban youth savings mobilization. This led to the following research questions:

1.3 Research Questions

The study sought to answer the following questions:

1. What is the effect of employment on the urban youth level of savings?
2. What is the effect of income on the urban youth level of savings?

1.4 Research Objectives

1.4.1 Main Objectives

The general objective of this study was to analyze factors affecting urban youth level of savings.

1.4.2 Specific Objectives

The specific objectives of this study were to:

1. Determine the effect of employment on the urban youth level of savings.
2. Determine the effect of income on the urban youth level of savings.

1.5 Significance of the study

The research study and its findings are critical to both national and county government, financial institutions,non-governmental organizations and other stakeholders in formulating policies that seek to mobilize savings among the youth. The study undercsored the need for the private and public sector to create apprenticeship and internship programs that would enhance youth employability rates. Aditionaly, the government and the private sector should create stable jobs for youth to enhance their levels of income. The study has also provided insights by identifying how saving behavior among the youth can be positively influenced and increase their savings uptake such as through financial literacy programs. The research study further enriched current

knowledge on youth savings by evaluating the effect of income and employment on savings of the urban youth.

1.6 Scope of the study

This research study focused on analyzing the determinants of urban youth level of savings. For this study, the target group was youth aged 18-34 years in Nairobi City County. The study evaluated the effect of income and employment on the formal and informal savings of the urban youth.The 2010 Kenyan Constitution defines youth as those persons aged between 18-34 years (Kenyan Constitution, 2010). The area of study was chosen due to its importance to the country's economy and the fact that it has the most diverse youth population providing an opportunity for rich data sources.

1.7 Limitations of the Study

The major limitation in this study was mainly non-responsiveness in data collection where many potential respondents became unwilling to participate for the fear of infringement of their information.This affected the data collection timelines and denied the research study potemtial rich information sources. The other limitation was demographic where female respondents were more willing to participate than male respondents.This would have likely made the reseach less represantive of the youth population.To mitigate such limitations there would be need for adequate familiarization with the respondents during data collection.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section provides theoretical literature review as well as empirical literature. Theoretical literature discusses the Absolute Income Hypothesis, Lifecycle Income Hypothesis, Permanent Income Hypothesis and Institutional Theory of Saving. The second part of this section explores the empirical literature on factors affecting youth savings. Finally, the literature overview highlighting the gap is outlined in this chapter.

2.2 Theoretical Literature Review

The subject of saving has received great attention from various schools of thought and authors. In many studies and in school of thoughts, savings and consumption tend to be considered together given that a decision to consume by an individual or a household is in effect a decision not to save the amount consumed. Various theories of savings have been evaluated in this study to guide on the study interpretation and in drawing conclusion from existing knowledge.

2.2.1 Absolute Income Hypothesis (AIH)

John Maynard Keynes postulated AIH in 1936 in his study on consumption,savings and income on the basis of the fundamental psychological law (Drakopoulos, 2020). AIH posits that as the consumer's income rises, consumption also rises, though not necessarily in the same proportions. Keynes argued that there should be a simple positive relationship between income and consumption where the two variables should not move in opposite directions (Drakopoulos, 2020). Therefore, Keynes concluded that consumption expenditure and savings increase with increased

income and decrease when income falls or decreases, though non-proportionally. Further, Keynes concluded that there are eight motives to save: precautionary, lifecycle, inter-temporal substitution, independent,enterprise, bequest, enterprise, down payment, and avarice motive (Drakopoulos, 2020).

AIH significantly links with the present study on youth saving behavior. From analysis of AIH, rising incomes would likely lead to better saving behavior as it increases savings levels among youth. Individuals and households who gain more disposable incomes can put aside a significant amount of income towards savings (Shaikh, 2018). As their incomes increases, youth will have a higher glut for saving since there would be diminishing marginal utility to consume. The theory's strength lies in the fact that it underpins the fact that total income is anessential variable in influencing consumers' consumption and savings behavior, where an increase in income will likely result to an increase in consumption and private saving (Shaikh, 2018). The theory's weaknesses lie in the fact that it has proved inadequate in supporting this relationship, with the most irregularities being scenarios where consumption and savings may still increase as income falls. The theory ignores other factors, such as wealth and assets, as aspects that may also influence youth saving behavior.

2.2.2 Life Cycle Hypothesis (LCH)

Richard Brumberg(1954) postulated LCH to explain individuals' and households' savings and consumption patterns over their lifetime (Hayakawa, 2019). LCH suggests that individuals plan their savings and consumption over their lifetime to smooth consumption. Therefore, consumers would try to smooth their consumption through borrowing when they have low incomes and saving when they receive higher payments. Modigliani and Brumberg (1954) assumed that households make plans of their lifetime consumption patterns so as to ensure maximum utility from

consumption. On the assumption that a household does not intend to bequeath assets to their dependents, a household with age T assumption is expected to maximize the below function for utility.

$U=U(C_T, C_{T+1}, C_{T+2}, \ldots, C_L)$……..…….……2.1

In this case C_i (i=T, T+1, T+2,…,L) is the planned consumption for an individual of age i . L is the age of a consumer at death point. Given that an individual or a household must consume all resources in their lifetime equation 2.1 is maximized subject to a budget constraint below.

$A_{T-1}+Y_T+\sum_{i=T+1}^{N}\frac{Yi^e}{(1+r)^{i-T}}=\sum_{i=T}^{L}\frac{C_i}{(1+r)^{i-T}}$……...……2.2

Where A_{T-1} is non-labor income or financial and physical assets carried over from households *(T-1)*th years., Y_T is the non-property income earned by a household at age *T*, Y^e_i is the non-asset income at i^{th} age while r is the rate of interest. N is the retirement age for a household. Ando and Brumberg (1963) assumed that utility function 2.1 is homothetic which means that the planned consumption at current period can be given by:

$C_T=\gamma_T W_T$ ……..……..……..…2.3

Where W_T is the expected lifetime resources for a household at age T and is equivalent to the left-hand side of equation 2.2.

$W_T=A_{T-1}+Y_T+\sum_{i=T+1}^{N}\frac{Yi^e}{(1+r)^{i-T}}$……...……..……2.4

Similarly, in future years, planned consumption would be given by

$C_i=\gamma_i W_T$ i = T + 1, T + 2,..., L ……..2.5

The γ_i in equation 2.5 is dependent on the rate of interest, tastes and preferences. It is also dependent on the household's age since resources are to be exhausted during the entire lifetime. Because resources are to be consumed fully in the lifetime of a household it means that a larger proportion of resources is expended towards end of the lifetime. In Equation 2.3 and 2.5 γ_i are not

dependent on the size of W_T and therefore an individual of a household would keep the ratio of planned consumption unchanged regardless of the lifetime resources.

The LCH links with the present study in that it underpins the fact that income and consumption needs are unequal at various points in the individual lifecycle. Additionally, the hypothesis suggests that with high income, one can save and increase financial savvy compared with those in the low-income brackets (Spangenberg et al., 2019). Individuals will tend to have more significant consumption needs at their youth stage that exceeds their incomes, and this limits the proportion set aside towards savings. At retirement, incomes decrease, and the elderly are forced to consume from their savings. LCH, however, presents a potential problem because it implies that as national incomes grow, a savings glut would also result (Shaikh, 2018). The theory also assumes that individuals are planning and rational. Another problem with this theory is that it does not address any abnormal deviations in saving patterns over time.

2.2.3 Permanent Income Hypothesis (PIH)

Milton Friedman suggested PIH in 1957, and argued that people spend incomes consistent with their expectations about long-term average income. This theory's objective was to explain how agents spread their consumption over time (Hayakawa, 2019). PIH proposed that people save based on their expectations of long term income rather than current income. PIH and LCH share a number of similarities, however PIH generalizes the two-period situation into an indefinitely horizon instead of remaining lifespan as is the case of the LCH. There is also the concept of planned permanent income Y^p and planned permanent consumption C^p. Friedman (1957) argued that permanent consumption is a function of the current total wealth(W) and the interest rate.

$C^p = q(W,r)$……..……..2.6

Aggregate wealth as per the PIH would be explained by the sum of discounted future incomes including non-labor income. Wealth in a period t would be:

$W_t = Y_t + \frac{Y_{t+1}}{1+r} + \frac{Y_{t+2}}{(1+r)^2} + \frac{Y_{t+3}}{(1+r)^3} + \ldots$ ……..……....2.7

Y_t is period t's expected total income. Additionally, Friedman (1957) made an assumption of homothetic utility of function and therefore equation 2.8 can be written as follows.

$C^P = qW$ ……..……2.8

Where q which is the factor of proportionality that depends on the tastes of the consumers as well as on the interest rates. Permanent income is the maximum income consumed by a household without any changes on wealth. It depicts return on wealth and can be written as $Y^p = rW$. Equation 2.9 would as such be rewritten as below.

$C^p = q(\frac{Y^p}{r}) = kY^P$ where q=rk……..……2.9

In the above equation, k is dependent on the tastes and on the rate of interest for the households. For uncertainty cases, Friedman(1957) proposed an additional motive for saving influenced by contingent events. The amount of permanent income k consumed is dependent on the portion of total wealth that is held as non-labor income and is represented by w which leads to the below equation.

$C^P = k(r,w,u)Y^P$ ……..……..……2.10

In equation 2.10 above u represents consumers tastes. According to Friedman (1957) income *Y* comprises of permanent income $Y^P$and transitory income Y^t. Consumption *C* comprises of permanent(C^P) and transitory consumption(C^t). Therefore, the equations representing these facts are as below.

$Y = Y^P + Y^t$ and $C = C^P + C^t$ ……..……..……..……2.11

The theory is plausible to the present study on youth saving behavior. It explains possible scenarios to be expected about their saving habits based on their current incomes and expected long-term income. Youth have limited sources of income due to the high levels of unemployment and limited income sources. Their income levels and sources essentially limit their saving rate and behavior.

The PIH is critical in this study as it provides a profound relationship between income and savings with theoretically understandable parameters (Spangenberg et al., 2019). Therefore, it is more empirical as it helps study inter-temporal choices among youth on savings. Despite this theory's plausibility in studying youth's behavior towards saving, it fails to provide adequate socio-economic aspects or influences that impinge on youth saving decisions other than income and wealth-related factors (Spangenberg et al., 2019).

2.2.4 Overlapping Generations Model (OLG)

The model is based on the assumptions that an individual will live for two time periods and consumption occurs in both of these periods. Nevertheless, an individual works in the the first period and then retires in the second period. The model also assumes that household and government would not make payment transfers to another individual and therefore, the individual will pay for the consumption in the next period from first period savings (Diamond, 1965). A person who is born in period "t" is often referred to as generation "t". An individual is assumed to be young in period "t" while in period "t+1'' an individual is assumed to be old.

Each individual will maximize their utility which is a function of consumption level in both periods. It is argued that a consumer has no much concern about whatever happens after death and is selfless towards his inheritors and therefore would not make transfers to other generations. OLG assumes that any individual born in period "t" will have no properties therefore provide one labor unit inelasticaly in the youth age to receive wage "w_t". This individual does not work in

period "t+1''. Therefore, to cater for consumption in period "t+1'' a consumer has to make savings S_t. in the current period. The wage w_t is consumed as consumption C_{1t} and saved as S_t. In period "t+1'', consumption C_{2t}+1 is financed by savings from period "t" and accrued interest. On the basis that interest rate is "r" per period time, the future consumption would be given as $C_{2t+1}=(1+r_{t+1})$ .St. As per the model savings are held to smooth consumption in future when one is not able to work.

OLG's strength lies ion the fact that helps explain the fact that individuals such as youth make decisions and choices on education, savings, retirement and labor supply on the basis of a utility function that influences his or her preferences at any time in their lifetime. This helps project how wealth is accumulated and transferred in time across various generations. However, the model's fail to capture the motive for saving and the impact of income and employment on savings. According to Diamond (1965) individuals have only one reason for saving which is retirement. This therefore ignores other motives for saving such as precautionary, transaction and speculative saving motives.

2.3 Empirical Literature Review

Mensahklo et al., (2017) carried a study in Ho Municipality, Ghana to analyze the savings' determinants by households in Ghana. A sample size of 152 individuals was drawn from primary data using non-probability and probability sampling techniques. Inferential and descriptive statistical techniques were employed to draw conclusions about the savings' determinants. The findings from the study demonstrated that many individuals within Ho Municipality had fewer dependants, and therefore their incomes were less constrained, which promoted their savings. Higher-income induced higher levels of saving with financial institutions. Additionally, most individuals had access to bank services that encouraged them to save with financial institutions.

Nevertheless, the study found that savings varied from individuals as each individual had different reasons for saving and consumption from their incomes. Mensahklo et al., (2017) evaluated the general population in an urban set up without focusing on the youth population. The study however underscored the importance of income and the size of dependants on savings. Additionally, this study did not evaluate the effect of income on urban youth savings. The current study, therefore, evaluated the determinants of savings with a particular attention on employment and income effect on urban youth level of savings.

Cheema et al., (2018) investigated factors impacting savings in Pakistan. The study used secondary household data for 2010 and 2011 from Pakistan Bureau of Statistics. The reseponse variable was savings, while the explanatory variables included income, gender, education, employment, poverty levels and livestock head. A Multiple Regression Model to draw conclusions about factors determining household savings was used. The findings revealed a positive correlation between savings and income as well as employment while negatively related with gender, education and poverty levels. Further, Pakistan's regional analysis of savings revealed that rural households saved more with increased incomes as compared with their counterpart urban households. A robust correlation between income and saving levels was obtained. Cheema et al.,(2018) therefore recommended for job creation as a way to influence savings uptake.

The study by Cheema et al. (2018) evaluated the effect of factors such as income, employment, gender and education on the general population therefore failing to provide substantial evidence on income and employment on the saving levels of the disaggregated youth population. Additionaly, this study focused on the savings levels of the formally employed population only. The present study filled this gap by exploring the effect of income and employment on the urban youth in both formal and informal sectors in the Kenyan set-up.

Saikia (2018) examined the pattern of savings and investments among youth aged 17-25 years who had begun to earn from employment in Mumbai, India. The study aimed to understand the youth's income and saving patterns and their preferred saving mode. The study employed random sampling with questionnaires for collection of primary data. The independent variable was traditional and modern savings platforms, while the dependent variable was saving behavior. The questionnaire addressed factors such as how much the youths saved and whether it was saved in traditional modes or formal modes such as capital markets and bank accounts. Correlation analysis found that about 70 percent of the youth respondents made savings in the bank accounts and other modern methods. The study also concluded that most youth knew about the various saving options available due to the volume of financial information available in recent days. To reinforce a proper saving behavior demands increasing financial saving options, increasing the reliability of financial institutions, offering financial security as well as higher returns for savings.

The study by Saikia (2018) focused on the saving behavior of employed urban youth in India. The study target population was youth aged 17-25 years with the focus mainly on the saving behavior and the effect of financial institutions in influencing the saving behavior of the urban youth. Though Saikia (2018) focus on urban youth savings is instrumental in this study, it fails to evaluate the effect of income and employment on the youth saving behavior. Additionaly, the study only focuses on youth aged 17-25 years. The present study intended to fill this gap by evaluating the effect of income and employment on the savings of the urban youth aged 18-34 years within the Nairibi City County, Kenya.

Schaner (2018) in a randomized assessment of rural Kenya, established that providing high-interest rates on savings accounts could substantially increase savings uptake. Further, offering promotional savings products, raising levels of employment, financial education, and higher

interest rates in the short term may be a way of triggering changes in youth savings habits even though there is still inadequate research on the robustness of these approaches. Savings vehicles should be designed effectively to encourage the youth population to save. Schaner (2018) further argued that higher-income,education and financial knowledge promote an admirable saving behavior. This study is valuable as it demonstrated that income, education and financial skills will significantly influence savings.

Schaner (2018) mainly focused on the effect of rate of return, education, employment, financial literacy and on savings of individuals in Rural Kenya. The study underscored the potential of the youth to save if provided with right saving mechanisms, products, incentives and programs.The study however does not provide an analysis of the effect of income and employment specifically on the urban youth level of savings. Furthermore, the study mainly focused on couples without desegregating the study population into youth aged 18-34 years. To fill this gap, this study explored the effect of income and employment on the savings of the urban youth in Nairobi City County, Kenya.

Sakaya & Lyimo (2019) examined the saving habits of individuals in Tanzania. The study employed a survey design in collecting primary data. The study involved interviews and administered survey questions to 130 respondents from the Centenary Rural Development Bank (CRBD) Bank in Tanzania. Random and purposive sampling techniques were employed. Low income Individuals in Marangu District saved much of their incomes informally and for shorter periods. Incomes and rate of returns were found to be impactful on the saving habits of the Tanzanians. Further, through a descriptive analysis, the results found that the financial institution did not have effective financial capabilities and training programs that would educate individuals to embrace best saving practices. The findings of the study established that individuals with low

incomes had a negative view about saving with formal financial institutions given the high transaction costs including the cost of opening and operating the account.

The study of Sakaya & Lyimo (2019) focused mainly on general population in Tanzania. The study examined the effect of variables such as income and rate of returns on savings.The study did not include the employment factor in the analysis of the saving behavior. Additionaly the study focused on the general population saving behavior in both formal and informal saving platforms. The current study explored the effect of income and employment on the urban youth savings both in formal and informal sector.

Konya & Nyakwara (2019) investigated factors that influenced savings and allocation of assets among Kenyan rural individuals in low income brackets. Independent variables included financial education, fiscal policy, financial institutions and demographic information of the households. A stratified sampling strategy was adopted in collecting primary data, where 351 respondents were involved. A quantitative data analysis was adopted to make findings. The findings showed that financial education, fiscal policies, and demographic factors of the household significantly influenced the saving behavior and the allocation of assets among individuals in low-income rural regions. The study recommended for the need by the financial institutions and government to focus on the issue of asset allocation and saving behavior of low income households in rural Kenya.

The study by Konya & Nyakwara (2019) focused on rural settings on the general population in Kenya. The study identified factors such as financial literacy, accessibility, interest rates and cost of opening a savings account as having had a significant influence on savings. The study underscored the importance of financial institutions and government on asset allocation and savings. Specifically, they should incentivize low income households to save proactively.

The study however focused on the general population in rural Kenya amd failed to examine the effect of employment on savings. Therefore, the present study evaluated the effect of income and employment on the urban youth level of savings in Nairobi City County.

Mwangi (2020) conducted a study on savings with the major objective of examining the savings' determinants among the Kenya households. This tudy included factors such as income, family size, education, age and employment status while the dependent variable was savings. The study employed secondary data drawn from Kenya's 2019 FinAccess Survey on households. The study adopted logit and probit models to study household saving behavior in Kenya. Mwangi (2020) established that gender and geographical factors affected household savings. The concluded that the level or urbanization increased the savings uptake particularly of the formal savings. Additionally, family size or the number of dependents had an impact on savings where savings decreased with increased number of dependents. Employment and income were also found to increase savings. Age squared, casual labor, household size and female gender had a negative relationship with formal savings.

The findings of the study by Mwangi (2020) empirical findings established that gender, family size, income amd employment influenced domestic savings. As such the study recommended for the promotion of education and employment to boost savings. The study also evaluated the effect of employment on savings. However, the study examined the general population without focusing specoficaly on the urban youth population. To fill this gap, the present study examined the effect of employment and income on the savings of the urban youth in Nairobi City County.

Zwane (2021) conducted a study to identify factors influencing savings in South Africa and establish whether there were any disparities on the factors determining savings in both localities. Dependent variables included savings while independent variables included employment, income

and family size. The data was sourced from National Income Dynamics Study (NIDS) from year 2008 to 2017. A two-stage least square to analyze factors affecting household savings was adopted. The two-stage least square helped address the problem of endogeneity that may have plagued previous studies in the field. Zwane (2021) established that factors determining savings varied across urban and rural settings. Though there was a supportive correlation between savings and income both in the rural and and urban regions, the effect on the savings was higher for rural households as compared to the impact it had on urban households. Unemployment had similar impact on savings with the magnitude being stronger in rural sample. However, household size had a major impact on the urban household savings.

Zwane (2021) focused on factors such as family size, income and employment. The study found that family size, income and employment affected the saving behavior of South Africans. The study therefore argued that there was the need to adopt policies that encourage creation of employment that would generate income and reduce unemployment to encourage savings. The study is critical to the present study as it explored some of the determinants such as income and employment on savings. However, Zwane (2021) did not focus on dissegragated youth population. The present study filled this gap by evaluating the effect of employment and income on the urban youth savings in Nairobi City County.

2.4 Overview of the Empirical Literature

The empirical literature review provided critical information on factors affecting savings. Mwangi (2020) found that transaction costs, number of dependants,education and income impacted saving patterns among households respectively. Further, Mensahklo et al. (2017), Cheema et al. (2018), Saikia (2018), Schaner (2018), Zwane (2021), Konya & Nyakwara (2019), and Sakaya & Lyimo (2019) identify factors such as income, interest rates on savings, transaction costs, employment,

family size and urbanization as influencing savings. While the reviewed studies prove valuable as they provide information on variables that influence savings, the present study went further by examining factors that affects the level of urban youth savings in Nairobi City County.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section details the study's research methodology, including the design, target population, sampling procedures, data collection methods and data analysis tecniques used to explore the factors influencing urban youth savings in Nairobi City County.

3.2 Research Design

The research study focused on analyzing the determinants of urban youth savings. The study employed a cross-sectional research design, which is appropriate for capturing data at a single point in time, allowing for a snapshot analysis of the factors influencing savings among the urban youth.

3.3 Theoretical Framework

The Life-Cycle Hypothesis(LCH) analyses households determinants of savings to economic researchers as it can be empirically tested. LCH may be analyzed by use of the Over-Lapping Generations Model (OLG) argued by Allais (1947) and Samuelson (1958). The OLG identifies lifetime changes in the behaviour consumers. OLG provides that a consumer would live for n-period. This model provides that time is discrete. Individuals have two life periods where the first period they have to work and in the second period they consume savings made in the first period. As such individuals want to maximize their utility. The utility function that describes the consumers preference in this case is is concave and time separable in each period of consumption. The utility of an individual is the sum of discounted future consumption and current income. As such a generation that is born in time "t" is expected to have the below utility function.

$U(t)=u(c_{1t}) + \frac{1}{1+\theta}.u(c_{2t+1})$, $\theta \leq 0$,$u'(.)>0$, $u''(.)<0$……..……..…….3.1

Lifetime utility is dependent on both current and future consumption. Future consumption is derived from savings. As such, consumption made in future is equiavalent to the rate of return on savings so that consumption(C) and income(Y) in the second period is given by the equation

$c_{(2t+1)} =(1+r_{t+1}).\ s_t$…….…..……..3.2

Therefore, an individual would maximize utility as given below.

$Max\ U_t= u_{(C1t)} + \frac{1}{1+\theta}.u(c_{2t+1})$…… ……...…….……..……...3.3

s.t

$c_{1t} + s_t = w_t$…….…….....…….3.4

$c_{(2t+1)} =(1+r_{t+1}).\ s_t$……...……..…3.5

Where $c_{1t} + s_t$ is the current consumption, $c_{(2t+1)}$ is the future consumption, s_t is the young generation savings in period t, r_t is the rate of interest from t-1 to t and w_t is the young generation's wages. Assuming that s_t is the only decision factor, equation 3.5 may be rewritten as below.

$maxU_t=u(w_t-s_t)+\frac{1}{1+\theta}.u((1+r_{t+1}).s_t)$……..……..……..……..3.6

To maximize this utility model, first order derivative for utility with respect to savings is derived and equalized to zero.

$\frac{dUt}{dSt} = 0 \Rightarrow u(w_t-s_t).(-1)+\frac{1}{1+\theta.}.u'[(1+r_{t+1}).s_t].(1+r_{t+1})=0$…….…….…….3.7

Simplifying F..O.C

$u'(c_{1t})-(\frac{1+rt+1}{1+\theta}).\ u'(c_{2t+1}) =0 \Rightarrow \frac{u\prime(C1t)}{u\prime(c2t+1)} = \frac{1+rt+1}{1+\theta}$……..…...…….……3.8

Savings are clearly and positively related with w_t and ambiguously related with $1+ r_{t+1.}$

The equation shows that a consumer should be indifferent between consuming one unit today and saving that unit and making future consumption. When an individual decides to consume today ,

he or she would derive marginal utility that is shown by the left-hand side of $u'(c_{1t})$. If a consumer saves that unit rather consuming, the consumer consumes r_{t+1} unit in the future which gives $u'[(c_{2t+1})]$ additional utility units. Since this utility would come in future it should be discounted by $\frac{1}{1+\theta}$. That is the right-hand side of the Euler equation. Since these two sides should be equal to what guarantee that individual is indifferent to consuming today and against consuming in the future. By finding the solution for consumption and savings, the saving function is given as below.

$S_t=f(wt, r_{t+1})$ ……..…….3.9

This means that saving is a function of interest rates and wages.

3.4 Empirical Model Specification

The review of the OLG and LCH models provided the empirical model for savings in this study. On the baisis of the OLG and the LCH models additional factors were included to the theoretical model in tandem with the previous studies of Kibet et al., (2009) and Precious & Asrat (2014).

$S_i=f(Y, AGE, EDU, EMP, DEP, TRC, INT)$ …….…….…..3.10

Where Y is income, AGE is the age of the respondent, EDU is education, EMP is employment, DEP is the number of dependents, TRC is the transaction cost, and INTR is the nterest rate on deposits or savings. The econometric form of the equation (3.11) above is represented as shown below.

$S_i=\beta_0+\beta_1 Y_i+\beta_2 AGE_i+\beta_3 DumEDU_i+\beta_4 DumEMP_i+\beta_5 DEP_i+\beta_6 TRC_i+\beta_7 INTR_i+\varepsilon_i$…….3.11

β_0 is the intercept of the model, $\beta_1-\beta_7$ are coefficients of each explanatory or independent variable and ε_i is the residual that is assumed to have a constant variance and zero mean.

Table 3. 1: Definition and Measurement of Variables

Variable	Definition	Measurement
Savings(S_i)	This is income not currently consumed but mainly set aside for future consumption and expenditures	This is the dependent variable in the study. Based on the amount of annual savings or deposits made and is measured in Kshs.
Income(Y_i)	Amount of money received from employment, services, businesses and investments	Based on the amount earned by the respondent annually and measured in Kshs.
Age of respondent(AGE_i)	This is the length of time that an individual has lived	Age of the respondent measured in years from time of birth.
Transaction cost(TRC_i)	These are costs that are incurred in operating savings accounts or making savings	Based on average cost of opening savings account,running savings and withdrawal of savings monthly measured in Kshs.
Interest Rates ($INTR_i$)	This is the amount earned as interest on top of savings made through financial institutions	Based on interest rate earned on savings or deposits measured in percentage per year.
Education($DumEDU_i$)	This is the amount of schooling that an individual has achieved	Dummy variable based on the education level attained by the respondent (Primary education and below=0,Secondary education and above=1)
Dependants(DEP_i)	Individuals particularly family members dependent on others	Based on the total number of people directly dependent on the respondent.
Employment($DumEMP_i$)	The state of having paid work formally and informally	A dummy variable given as 1 if an individual is employed; Otherwise, 0

Source:Author

3.7 Study area and Target Population

The study population defines the group of individuals from which a sample size would be drawn. Nairobi City County was chosen as a study area due to its unique population that is representative and therefore providing rich soure of data and information. The target population was youth aged 18 to 34 years residing in Nairobi City County.The demographic was chosen due to its significant representation in the workforce and potential for varied savings behavior.

3.8 Sample size and sampling procedures

The study adopted Yamane (1973) formula in determining the size of the sample.

$n=\frac{N}{1+N(e)^2)}$ where:

n-Size of the sample

N-Size of the Population and;

e=sampling error

Nairobi County has an estimated population of 4,396,828 with 31 percent of the population being youth aged 18-34 years (Kenya Population and Housing Census, 2019).This translates to a population of 1,363,017 youth aged 18-34 years. Using Yamane's fomula while allowing a 5% sampling error the sample size is 400 urban youths

$n=\frac{1,363,017}{1+(1,363,017*0.05*0.05)}$=399.8 which is approximately 400 urban youths.

The 400 respondents in this study were identified across all the subcounties in Nairobi City County to increase the reliability of the data and information collected.

3.9 Data types, sources, and collection

The type of data used in this study was cross-sectional primary data collected from the youth respondents within Nairobi City County.The selection of the sample size was arrived through

random sampling. Structured questionnaires were distributed to collect the necessary data, including income, gender and institutional factors. A survey link was shared with the respondents who were guided how to fill the questionnaire and submit the responses. The rate of responses from the questionnaire was prompt and reliable except for few cases where respondents expressed fear of participation.

3.10 Data Analysis

The research study employed both descriptive data analysis and inferential data analysis to make informed findings. Diagnostic tests were onducted to identify inherent problems in the primary data and the model. An OLS Estimation method was adopted to show the effect of explanatory variables on the response variable.

3.11 Diagnostic Tests

To evaluate whether the results obtained were consistent and unbiased, diagnostic tests were conducted. Cronbach's test for reliability was adopted to check on the internal reliability of the collected data. A test on heteroscedasticity using Breusch-Pagan test, autocorrelation using Durbin-Watson test , normality using Kolmogorov–Smirnov test and Ramsey Regression Equation Specification Error Test (RESET) test would also be conducted. Additionally, the variance inflation factor would be utilized to identify for multicollinearity among the variables.

3.12 Ethical Considerations

Clark-Kazak (2019) points out that ethics are rules that govern human behavior, either written or unwritten. This study is embedded on values such as confidentiality of information gathered from the respondents. The research proposal was submitted for approval by National Commission for Science, Technology and Innovation (NACOSTI) to ensure quality standards for the research are

met. The research study was also founded on honesty and integrity, where the research findings will be reported honestly regarding data, results obtained, and the content of the study. Further, the study was built on objectivity by avoiding bias in any elements such as research design, data analysis and interpretation.

CHAPTER FOUR

EMPIRICAL FINDINGS

4.1 Introduction

This chapter presents the empirical findings from both descriptive statistics and regression analysis. In order to understand the landscape of youth savings in the study, summary statistics are presented. The major objective was to analyse the factors that affect the urban youth savings mobilization. To fulfil this objective, a regression equation was estimated using the least squares method.

4.2 Descriptive Statistics

Descriptive statistics for the variables were obtained in order to understand the landscape of urban youth savings. Descriptive statistics on all factors affecting the urban youth savings in the study's model have been presented. The sample of the study included 400 urban youth respondents from Nairobi City County.

Gender being critical in this study and being a factor that may influence savings was studied. It was a critical factor in this study to ensure that the data collected was representative. Table 4.1 shows the descriptive statistics on gender.

Table 4. 1: Summary Statistics on Gender

Descriptive	**Frequency**	**Percentage**
Male	170	42
Female	230	58
Total	**400**	**100**

Source: Owner'calculations.

Among the respondents, 58 percent were female while 42 percent were male. Female participants were more willing to participate in the survey. The difference in participation level being explained by unequal male and female population distribution of the youth in Nairobi City County.

Marital status is a major factor that had some influences on savings. The variable for marital status in this study was a categorical and is identified as either married or not married. Table 4.2 shows the results of marital status of the urban youth respondents.

Table 4. 2: Summary Statistics on Marital Status

Descriptive	**Frequency**	**Percentage**
Married	120	30
Not Married	280	70
Total	**400**	**100**

Source: Owner's calculations.

Among the urban youth respondents, 70 percent were not married while 30 percent of the respondents were married. Given that majority of the youth are not married and therefore less number of dependants, it would be imperative to incentivize them to save for future consumption and for unforeseen circumstances.

Education is a critical factor that influences savings. This factor was included in this study to measure the effect of education level on urban youth savings. The level of education was classified as primary, secondary, tertiary and post-graduate. Table 4.3 shows the summary statistics on the education level of the urban youth respondents.

Table 4. 3: Summary Statistics on Education Level of the urban youth

Descriptive	**Frequency**	**Percentage**
Primary education	4	1

Secondary Education	64	16
Bachelor's Degree	284	71
Post-Graduate	48	12
Total	400	100

Source: Owner's calculations.

On education levels, 71 percent had Bachelor's Degree, 16 percent had secondary education, 1 percent had primary education while 12 percent had post-graduate qualifications. The descriptive statistics on education demonstrated higher literacy level among the urban youth. This is supported by the findings of Kenya Bureau of Statistics. (2020), which shows that 89 percent of Nairobi population is educated. The higher level of literacy would be an asset in promoting entrepreneurial skills among the youth for job creation. The higher level of education would be an added value in creating apprenticeship and intership opportunities.

Age significantly affect savings across populations and is supported by the life-cycle hypotheisis (Hsu & Lo, 2019). Age structure would have a major effect on aggregate employment, saving and consumption.The descriptive statistics on age distribution of the urban youth respondents is demonstrated in table 4.4.

Table 4. 4: Summary statistics on the age of the urban youth

Descriptive	**Frequency**	**Percentage**
18-21 Years	156	39
22-25 Years	136	34
26-29 Years	88	22
30-34 Years	20	5
Total	400	100

Source: Owner's calculations.

On age distribution, 39 percent of the total respondents fall into the 18-21 years bracket, 34 percent were aged between 22-25 years, 22 percent of the total respondents fall into the 26-29 years bracket while 5 percent of the youth in the study fall into the 30-34 years bracket. Age distribution of the urban youth is even with more than 50 percent of the urban youth respondents being between 18-29 years. The fact that 50 percent of the urban youth are in the age bracket of 18-29 years presents an opportunity for policymakers to cultivate on the culture of saving and help break intergenerational poverty.

A critical factor that influences the saving behaviour of a population particularly among the developing countries is the structure of the population especially the level of dependency. This is based on the argument that a higher ratio of dependency would lower the disposable income influenced by high expenditute levels and therefore low savings (Kwakwa, 2013). A lower dependency ratio on the other hand means low expenditure level and therefore higher savings. This study introduced this factor to evaluate its effect on the urban youth level of savings. The descriptive statistics on number of dependants is presented in table 4.5.

Table 4. 5: Summary Statistics on the number of dependants

Descriptive	**Frequency**	**Percenrtage**
One	77	19
Two	58	15
Three	11	3
More than Three	4	1
None	249	62
Total	**400**	**100**

Source: Owner's calculations.

On the number of dependants 62 percent of the total respondents had no dependants, 19 percent had one dependant, 15 percent had two dependants, 3 percent of the total respondents had 3

dependants while 1 percent of the respondents had more than three dependants.With less number of dependants, youth income may not be much constrained and could be set aside for higher levels of savings.

Income variable being a key factor that influences savings and consumption was measured by categorizing income earned by the urban youth into four bands. Table 4.6 shows tha descriptive statistics on the incomes of the urban youth.

Table 4. 6: Summary Statistics on Monthly Income of the urban youth

Descriptive	**Frequency**	**Percentage**
Below 20,000	198	50
20,0001-50,000	96	24
50,001-100,000	50	13
Over 100,000	32	8
None	21	5
Total	**400**	**100**

Source: Owner's calculations.

On income, 5 percent of respondents did not have any income, 50 percent of the respondents earned less than Kshs 20,000 monthly income while 24 percent of respondents earned income between Kshs 20, 001 and Kshs 50,000. Respondents who earned monthly income between Kshs 50,001 and Kshs 100,000 were 13 percent while those who earned over Kshs 100,000 monthly income. Descriptive data on income shows that about 50 percent of urban youth are low income earners. This is supported by the fact that unemployment level is high among the urban youth.As such,savings for urban youth can be promoted through creating stable jobs with better incomes.

Descriptive statistics on employment indicates that unemployment is so prevalent among the youth. Table 4.7 presents the descriptive statistics on the status of urban youth employment in Nairobi City County.

Table 4. 7: Summary Statistics on the Employment status of the urban youth

Employment status		
Descriptive	**Frequency**	**Percentage**
Formal Employment	120	30
Informal Employment	100	25
Unemployed	180	45
Total	**400**	**100**

Source: Owner's computation from the study data

On employment, 45 percent of the respondents were unemployed, 30 percent are employed in the formal sector while 25 percent were employed in the informal sector. The high level of unemployment rate partly explains the reason behind low income levels and low savings among the urban youth. Private and public sector therefore should enhance youth productivity through improved insfrastracure, training and through financial support for self-employment to enhance youth employment and income levels.

The study evaluated the saving platforms utilized by the urban youth. These platforms included banks, chamas, Saccos, Micro-finance institutions and mobile platforms such as Mpesa and M-shwari. The main factors influencing the choice of saving platform included convenience, rate of return, accessibility to savings and minimum deposit requirement. Table 4.8 shows the summary statistics on the saving platform choices among the urban youth.

Table 4. 8: Summary Statistics on the choice of Savings Platforms by the urban youth

Platform		
Descriptive	**Frequency**	**Percentage**
Chamas	60	15
Bank	101	25
Mpesa,Mshwari,Phone	20	5
Saccos	150	38
Microfinance	69	17
Total	**400**	**100**

Source: Owner's calculations

On savings landscape, 38 percent saved their incomes through Saccos, 25 percent saved through banks, 17 percent saved through Microfinance institutions, 15 percent saved their incomes through Chamas while 5 percent saved through M-Shwari. Most of the urban youth respondents chose banks and Saccos due to convnenience and higher rate of return. Therefore, bamks and saccos should create attractive savings products and enhance financial literacy to mobilize savings from urban youth.

The rate of return earned by the respondents who saved their income was categorized into three bands in an attempt to find how the rate of return influenced the level of savings. Interest rates determine how much individuals would be willing to save. It is expected that a higher rate of return would influence increased savings. Table 4.9 shows sthe descriptive statistics on the rate of return earned by the urban youth savers.

Table 4. 9: Summary Statistics on Estimated Rate of Return from savings

Estimated Rate of Return		
Descriptive	**Frequency**	**Percentage**
1-10%	211	77
11-20%	61	22
More than 20%	3	1
Total	**400**	**100**

Source: Owner's calculations

On average 77 percent of respondents earned 1-10 percent annual rate of return, 22 percent earned between 11-20 percent annual rate of return while 1 percent earned more than 20 percent annual rate of return. From the descriptive statistics, most saving platforms offered on average an annual rate of return of 10 percent.To incentivize youth to saving more of their income, financial institutions should consider increasing the rate of return on savings and offering other incentives such as minimizing cost of transactions.

The level of saving among the urban youth being critical dependent variable in this study was evaluated. About 60 percent or the majority of the urban youth saved in the first band of Kshs 1-5,000 monthly. Table 4.10 shows the summary statistics on the amount saved by the urban youth.

Table 4. 10: Summary Statistics on Savings amount

Descriptive	Frequency	Percentage
Kshs 1-5000	240	60
Kshs 5,001-10,000	76	19
Kshs 10,001-20,000	44	11
Kshs 20,001-30,000	24	6
Khs 30,001-50,000	8	2
Above Ksh 50,000	8	2
Total	**400**	**100**

Source: Owner's calculations

On the amount saved, 60 percent of the respondents saved between Kshs 1-Kshs5000, 19 percent saved between Kshs 5001-Kshs 10,000, 11 percent saved between Kshs 10, 001 to Kshs 20,000,6 percent saved between Kshs 20,001 to Kshs 30,000 while only 2 percent saved more than Kshs 30,000. The average savings amount among the urban youth respondents was Kshs 5000 which indicated a relatively low savings rate.

4.3 The Regression Model

The regression model output showed the effect of the explanatory variable on the dependent variable.Ideally, the model's coefficient shows each variable's contribution on the saving levels of the urban youth. The results show that income and employment had significant effect on savings. Other factors such as the number of dependants and the estimated rate of return also influenced savings of the urban youth positively. Education level, age and number of dependants affected urban youth savings negatively. Table 4.11 presents the output of the regression model using least squares method.

Table 4. 11: Regression Model Output

Model	Unstandardized Coefficients		Standardized Coefficients	T-Statistic	P-value
	B	Std. Error	Beta		
(Constant)	-264.006	3592.139	-264	-.268	.729
Monthly Income	951.968	769.313	.680**	8.847	.011
Occupation	818.653	738.518	.638**	8.109	.013
Number of Children	-779.250	560.851	-.617**	-7.746	.022
Age Bracket	-525.699	1175.261	-.504*	-4.430	.047
Education Level	-499.880	642.343	-.411*	-3.155	.057
Estimated Rate of Return	646.119	758.090	.605**	6.061	.032
Estimated Charges	581.286	821.610	.435**	5.438	.037
Adjusted R-Squared	0.720			Prob (F-Statistic)	0.018
a. Dependent Variable: Youth Level of Savings					

Note: ***, **, * implies that the coefficient is statistically significant at 1%, 5% and 10 % respectively

Source: Owner's calculations

The study found that R-squared was 0.720 which implied that 72 percent of the changes in the level of savings for the urban youth could attributed by the combined effect of the explanatory variables. From the results in the table 4.11 above, the coefficients for income, occupation, number of dependants, age, transaction costs or charges and estimated rate of return were statistically significant. This means that these factors affected savings of the urban youth. However, education had statistically insignificant coefficient which means that education had a weak relationship with the urban youth savings.

For the income earned, the coefficient was positive (0.680) and statistically significant at 5 percent level since the value was 0.011. This means that an increase in the level of income is expected to

lead to an increase in urban youth savings. These results support the findings of Zwane (2021) who showed that income was a critical factor that influenced savings. More so, the findings concur with the economic theories on savings such as absolute income hypothesis and lifecycle hypothesis which have demonstrated that increased income would increase the propensity to save.

The coefficient of employment was positive (0.638) and statistically significant at 5 percent level with a p-value of 0.013. It is expected that an increase in the level of employment would contribute to an increase in the savings level among the urban youth. This may be attributed by the fact that employment is a source of income and therefore by increasing the income sources of the urban youth through employment, more of their income would be allocated to savings. This outcome support the findings of Mwangi(2020) and Zwane(2021) who argued that employment significantly affected savings and there was therefore the need to adopt policies that encourgaed employment creation to generate more income and enecourage savings.

The coefficient of the number of dependants was negative (–0.617) but statistically significant at 5 percent sigficance level with a p- value of 0.022. As suh an increase in the number of children or dependants would lead to a decrease in savings for the urban youth. This can be attributed to the fact that with increased number of dependants, a larger proption of income for the urban youth would be allocated to expenditure. These results are similar to those of Mwangi(2020) who found that family size had a negative impact on savings where household savings decreases with an increase in the size of a family.

The coefficient of age was negative (-0.504) but statistically signficant at 10 percent with a p-value of 0.047. Therefore, with increased age of the urban youth, savings decreased. This maybe explained by the fact that at an advanced age of their youth, urban youth would tend to have more number of dependants and therefore increased expenditure consequently end up dissaving. The

findings of this study corroborates with Modigliani and Brumberg (1954) in the lifecycle hypothesis who argued that household saving rate would peak at the best working turn and age and then would decline such that households dissolve their savings after retirement.

The coefficient for the rate of return was postive (0.605) and statistically significant at 5 percent with a p value of 0.032. This means that the rate of return on savings had a positive effect on savings where an increase in the rate of return is expected to lead to increased savings levels for the urban youth. These findings are similar to those of Saikia(2018) who found that offering higher returns on savings would stimulate more savings among the households. Additionally, the findings concurs with those of Schanner(2018) who found that interest rate on savings stimulated individuals to allocate more of their income towards savings.

The coefficient of education was negative (-0.411) but statistically significant at 10 percent with a p value of 0.057. Therefore, a higher education level had a negative effect on the level of savings. This is contrary to the general expectations where education is expected to to influence higher savings given that it is likely to increase financial literacy of the urban youth. Nevertheless, the negative impact of education on urban savings may be attributed to the likelihood of increased educational expenses initially where the urban youth end up decreasing savings. The findings corroborates with Morisset & Revoredo (1995) who argued that education decreased saving since with increased financial literacy individuals may tend to take too many risks, overborrow and hold some naïve financial attitudes towards saving.

The coefficient of estimated charges or the transaction cost was postive (0.435) and statistically significant at 5 percent level with a p-value of 0.037. Therefore, transaction costs had a positive effect on savings which was contrary to the expectations. This may be explained by the fact that transaction costs charged may be perceived as not substantial and therefore have no major effect

on the savings. This may also be due to the fact that if transaction costs are higher, they may tend to discourage withdrawals rather than savings. The findings on transactions costs are similar to those of Schanner(2017) who found that transaction costs mainly affected withdrawal of savings rather than the decision to save in financial institutions.

4.4 Results of Diagnostic Tests

Various diagnostic tests were done to test the fitness and the reliability of the model. Regression model was used to show the effect of independent variables on the dependent variable(savings). Cronbach Alpha Test was employed to test the reliability and the consistency of the questionnaire items. The results of the reliability test using the Cronbach Alpha are shown in table 4.12.

Table 4. 12: Average Reliability Statistics of Instruments

Variables	Cronbach Alpha Based on Standardized Items	No of Items
Average Reliability of Research Instruments	α.= 0.800	16

The Cronbach Alpha coefficient in this research study was .800 which means that the questionnaire items had a high reliability and internal consistency.

Source: Owner's calculations

The results of Cronbach Alpha test was .800 which meant that the questionnaire items had a high internal consistency and reliability.

The normality tests conducted included the the Kolmogorov–Smirnov test and the Shapiro–Wilk test. The results on normality using Kolmogorov -Simonov are shown in table 4.13.

Table 4. 13: Normality Test using Kolmogorov-Siminov Test

	Kolmogorov-Siminov			Shapiro-Wilk		
	Statistic	df	P-Value.	Statistic	d.f	P-Value
Level of Savings(What Amount of money do you put aside as savings each month?)	.371	404	<.001	.376	404	<.001

- *If the value p< 0.05, then the data is normally distributed research.*
- *If the value p >0.05, then the research data is not normally distributed*

Source: Owner's calculations

The normality test using Kolmogorov -Simonov test produced a p value less than 0.05 i.e (p< 0.05). The Kolmogorov -Simonov test showed that the data had been approximately normally distributed.

A Ramsey Regression equation specification test (RESET) on the data was determined. RESET tests specifically whether explanatory variables that are non-linear explains the response variable. The RESET output is presented in table 4.14.

Table 4. 14: Ramsey Regression Equation Specification Eror Test(RESET)

Ramsey Reset Test for Omitted Variables
H0: Model Has no omitted variables F(3,2305)=5.16 Prob>F=0.0015

Source: Owner's calculations

Specification error is likely to occur when the model is mispecified in terms of variables, error structure or functional form. The results of the test on specification errors showed that there were no omitted variables which means that the linear model is not mispecified.

The study adopted the Breusch-Pagan test for heteroscedasticity in the regression model. Table 4.15 shows the output on heteroscedasticity test.

Table 4. 15: White Test Heteroskedasticity

Ch-Square	df	P-value.
56.007	.389	.008

Source: Owner's calculations

Linear regression model assumes that variances of the residuals are equal. This assumption is regarded as homoscedasticity (Pal & Bharati, 2019). If this assumption is not met it means that there is presence of heteroscedasticity in the residuals. The output of the tests showed the p value was .008>.005 and therefore heteroscedasticity is absent. As such the collected data was fit for regression model analysis.

The multi-collinearity test was conducted before the regression to determine if there was high correlation between the independent variables. A high correlation between the variables would be problematic in fitting the model and in making interpretation of the results. The multi-collinearity output is shown in table 4.16.

Table 4. 16: The Multi-Collinearity Test

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T-Statistic	P-value	Collinearity Tolerance	Statistics VIF
	B	Std. Error	Beta				
(Constant)	-264.006	3592.139		-.268	.729		
Monthly Income	951.968	769.313	.680	8.847	.011	.488	2.049
Occupation	818.653	738.518	.638	8.109	.013	.498	2.008
Number of Children	-779.250	560.851	-.617	-7.746	.022	.555	1.801
Age Bracket	-525.699	1175.261	-.504	-4.430	.047	.798	1.252
Education Level	-499.880	642.343	-.411	-3.155	.057	.515	1.942

Estimated Rate of Return	646.119	758.090	.605	6.061	.032	.436	2.291
Estimated Charges	581.286	821.610	.435	5.438	.037	.478	2.094

a. Dependent Variable: Youth Savings

Source: Owner's calculations

The results of the test showed that all the variables had no multi-collinearity. The VIF for all explanatory variables was below 4 and therefore all the variables showed no multi-collinearity. Ideally a VIF above 4 indicates that multi-collinearity exist and therefore further investigation is required (Gunst & Mason, 2018). A VIF of more than 10 shows significant multi-collinearity that need to be corrected (Pal & Bharati, 2019). Multi-collinearity would have been a problem since it would have undermined the significance of the independent variables.

The coefficient of determination R^2 that helps explain how well the model predicts the outcome and the auto-correlation test was determined. The autocorrelation test done was the Durbin-Watson test. Presence of autocorrelation may be a serious problem as it may result to unbiased, inefficient and inconsistent estimators (Pal & Bharati, 2019). Table 4.17 shows the results of correlation coefficient and autocorrelation test using Durbin-Watson.

Table 4. 17: Model Summary on Correlation Coefficient and Autocorrelation

Model	R	R-Square	Adjusted Rs Square	Std.Error of the Estimate	Durbin-Watson
	.849	.721	.720	9026.02191	2.150

Predictors: Constant, age, occupations, income,education level, rate of return,number of dependants, estimated charges

Dependent Variable: Savings amount
Source: Owner's calculations

A value of 0.720 signified that the explanatory variables in the statistical model offered a 72 percent explanation of the variance in the dependent variable which is the savings made by the urban youth. On the other hand Durbin Watson Test showed that there was less autocorrelation and the Durbin-Watson value of 2.150 was close to the middle value of 2.0.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND POLICY IMPLICATIONS

5.1 Introduction

This section gives the summary of the study's findings, conclusion drawn from this study and the policy implications that originate from the study and further research areas are suggested.

5.2 Summary of the Findings

The study's general objective was to analyse factors affecting the level of savings for the urban youth in Nairobi City County. The specific objectives of the study were to determine the effect of employment on the urban youth savings and to determine the effect of income on the savings of the urban youth.

The low rate of national savings in Kenya averaging 12-14 percent is a major concern given the fact that savings are influential in boosting the investments. Various studies have demonstrated that low savings and disinterest in saving among Kenyans emanates from factors such as poverty, low incomes, inadequate financial education as well as lack of financial incentives. This has made it challenging for the Kenyans to build on a good saving culture. This calls for the need to mobilize savings among the Kenyans in order to facilitate capital formation for investments. Specifically, youth being the backbone of the Kenyan population with those aged between 18-34 years representing 29 percent of the population should be encouraged to save. This is because substantial savings from youth would influence economic growth through creation of investment funds and through increased entrepreneurial spirit. Given these scenarios there was the need to conduct a study regarding factors that affect the level of savings among the youth.

To meet the objectives of the current study, cross-sectional primary data was collected from urban youth respondents and analyzed. The first objective was to examine the effect of

employment on the savings of the urban youth. From descriptive statistics, unemployment is a major problem as 45 percent of the urban youth were unemployed while 25 percent were in the informal sector that is mainly characterized with irregular and low incomes, inaccessibility to finance, low productivity and inadequacy in financial information. From this scenario, it is apparent that most urban youth still lag in low income groups leaving them with minimal amount of income to save. A regression model for employment was run to estimate its effect on the level of savings. Employment had a significant effect on the level of savings. Employment factor had a coefficient of 0.638 which shows a positive and significant effect on urban youth savings. Stable employment signficaantly enhanced the ability to save. In this regard urban youth can be influenced to save through provision of adequate employment opportunities that help in boosting their income sources. Additionally, the government and other stakeholders could influence the growth of a robust informal sector through well-structured policies including development and upgrading of social and economic infrastructure that directly boosts the productivity of the informal sectors.

The second objective aimed at evaluating the effect of income on the level of savings among the urban youth. Consistent with the savings theories, the study found income positively influences savings of the urban youth. From descriptive statistics, most of the urban youth are in low income brackets as about 74 percent earned below Kshs 50,000. This low-income scenario of the urban youth means low savings and it would be critically important to boost youth low level of incomes as a way of influencing savings nationally. From regression analysis, the coefficient of income was 0.680 shows that savings are positively and significantly influenced by income.

Other factors evaluated included transaction costs, education, number of dependants, age and rate of return. The results of data analysis revealed that rate of return positively influenced savings.

Rate of return acted as an incentive to make higher savings. On the other hand transaction costs did not affect savings negatively which may be attributed to the fact that about 93 pecent of the urban youth did not incur substantial charges on savings. Education, age and number of dependants affected savings negatively. Number of dependants decreased savings due to the fact that a higher number of dependants would likely increase consumption and therefore reduce savings. Education on the other hand was statistically insignificant showing a weak relationship with savings.

5.3 Conclusion of the Study

The study found that though the urban youth saved part of their incomes, savings remained low. . Employment and income signficantly and postively affected urban youth savings. Other factors that influenced savings included the number of dependants, rate of return, transaction costs and age. Family size or the number of dependants and education level had a negative effect on the level of savings.The perception of transaction costs did not negatively affect the saving decision among the urban youth. This is mainly due to the fact that the transaction cost incurred on savings by the urban youth was insignificant as about 93 percent of the respondents incurred not more than Kshs 500 monthly. The effect of of education on savings may be negative at first due to the fact that education expenses such as loan repayment initially would lead to increased education expenditure consequently reducing disposable income of the youth. Another factor that may have led to negative relationship between education and income is the fact that majority of the educated are unemployed and therefore have low incomes compared to less educated whose population is vastly in the informal sector.

Age had a negative effect on savings as savings decreased with age. Past studies on the relationship between age and saving behaviour have convinced most policymakers and economists that aging

would lower saving rate to some extent though the presence of this change is still in question. As per the lifecycle hypothesis, individuals distribute their income resources among raising dependants, elderly and consumption. With regards to interest rate, when the interest rate on savings increases, savings would also increase while a fall on the rate on interest would lead to decrease in savings. This is due to the fact that rate of return on savings act as an incentive to saving.

The study concludes that urban youth savings were significantly influenced by income and employment status. These conclusions align with the research objectives of identifying key factors affecting savings behaviour among the youth. Urban youth with regular employment and higher levels of incomes are more likely to save consistently. This highlight the need for targeted employment programs as well as boosting youth incomes through quality jobs. The findings from this study suggests that adequate incomes and high levels aof employment among the youth are crucial for effective saving behaviour.

5.4 Policy Implications

From this study, several policies maybe drawn:

The government should promote job creation both in the formal and informal sector. In the informal sector which is characterized by low and irregular incomes, the government could improve the quality of pay for the existing jobs, increase levels of productivity in the informal sector and encourage growth through the provision of right infrastructure such as road networks, security, water and electricity. The government should also provide financial support through creation of funds to support growing job opportunities. Additionally, the government should create safe and healthy working environment through clear guidelines and rules on informal sector engagement. In the formal sector, there is need to have a long commitment to job creation, on-job

training, promotion and improving the labour markets governance in order to boost the incomes of the employed youth and create more job opportunities for the vast unemployed youth.

The government and the private sector should develop comprehensive Financial Literacy Programs for urban youth that focuses on practical savings techniques, budgeting and investment strategies. These programs should be made accessible through community centres, schools and online platforms.Targeted employment initiatives that provide job opportunities and skill development for youth should also be implemented to enhance youth employability rates. There should also be increased collaboration between the private sector and the government in creating internship and apprenticeship programs that would enhance employment of the youth.

Saving products should also be designed to meet the needs of the urban youth . Such savings products may include minimum despoit acccpunts and mobile based savings plaatforms. Additionally, policy makers should advocate for policies that support employment and financial education of the youth. Policymakers should also consider incentives such as tax holidays or cuts for businesses that hire and train youth and support financial literacy among the youth. By providing adequate financial education to the youth, they would likely become more attuned to better saving behaviour. Imparting better financial skills including planning would help the youth in financial decisions particularly for those with more dependants as the number of dependants significantly reduced the level of savings among the youth. Youth that are adequately financially literate would be more likely to spend less income, create some emergency funds and open savings accounts as compared to those with lower levels.

5.5 Contribution to knowledge

The study's findings are valuable to the existing studies on savings which are critical to the economic growth for various reasons. The study outlines factors affecting the saving levels of the

youth and how savings can be mobilized among the youth.The findings underscores the fact that with increased incomes,reduced transaction costs, increased rate of return, low dependency ratio and higher employment levels, youth would be triggered to save more. Therefore, income, rate of return, low transaction costs, lowe dependency ratio and higher level of employment positively affect savings what previous studies have found in their attempt to evaluate factors that affect household savings. More so, this study evaluated an understudied area as few studies attempted to review the saving behaviour of the urban youth. Consequently, the study has immensely increased knowledge on urban youth saving behaviour, employment and income relationship with savings.

5.6 Areas of Further Research

This study looked into the factors that affect the level of savings among the urban youth. It would be critically important to evaluate how financial institutions and government policies have affected the savings of the youth over time. This would ensure that financial institutions and government formulates and implements the right and successful policies in enhancing savings of the urban youth. This study used cross-sectional data that was collected through primary means to evaluate factors that affect the level of savings. To examine factors that urban youth level of savings over time, panel data may be adopted.

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APPENDIX

Questionnaire

KENNYATTA UNIVERISTY

SCHOOL OF ECONOMICS

MASTERS OF ECONOMICS (POLICY & MANAGEMENT)

The major objective of this questionnaire is to collect data for a research study on **"URBAN YOUTH SAVINGS MOBILIZATION: A CASE STUDY OF NAIROBI CITY COUNTY, KENYA"** for partial fulfillment of the Master of Economics offered by Kenyatta University. The data collected will be confidential and will not be disclosed to anyone unless authorized by the respondent. Your cooperation and honest response is very critical to this research study. Please feel free to respond to the questionnaire. Please put √ a mark to indicate your response

APPENDIX E: INFORMED CONSENT FORM

KENYATTA UNIVERSITY
OFFICE OF THE CHAIRMAN ETHICS REVIEW COMMITTEE

Informed Consent (Sample)

My name is JEREMIAH THUKU THUKU (name of organization/I am a Ph.D/Master/Bachelor student from Kenyatta University). I am conducting a study titled "URBAN YOUTH EMPLOYMENT, INCOME AND SAVINGS MOBILIZATION; A CASE STUDY OF NAIROBI CITY COUNTY, KENYA".
The information will be used (FOR ACADEMIC REASONS).

Procedures to be followed

Participation in this study will require that I ask you some questions and I also examine you in order to screen you for SAVING BEHAVIOR.

Voluntarism

You have the right to refuse participation in this study. You will get the same services and care whether you agree to join the study or not and your decision will not change the care you will receive. Please remember the participation in this study is voluntarily. You may ask questions related to the study at any time.

You may refuse to respond to any questions and you may stop an interview at any time. You may also stop being in the study at any time without any consequences to the services you receive here or any other organization now or in the future.

Discomforts and Risks

Some of the questions you will be asked are on intimate subject and may be embarrassing or make you uncomfortable. If this happens, you may refuse to answer these questions if you so choose. You may also stop the interview at any time.

Benefits

If you participate in this study you will help us to learn how to provide effective policies that can improve ON YOUTH SAVING BEHAVIOR IN KENYA

Confidentiality

The interviews and examinations will be conducted ethically. Your name will not be recorded on the questionnaire. The questionnaires will be kept safely at Kenyatta University. Everything will be kept private and only shared with the study team.

Contact Information

If you have questions about the study call the Dr. CHARLES MUGENDI 0720750639or Supervisor _____07_____/Investigators Tel Nos: _____to be inserted

However, if you have questions about your rights as a study participant: You may contact Kenyatta University Ethical Review Committee Secretariat on chairman.kuerc@ku.ac.ke,

Participant's statement

The above information regarding my participation in the study is clear to me. The study has been explained to me and I have been given a chance to ask questions and my questions have been answered to my satisfaction. My participation in this study is entirely voluntary. I understand that my records will be kept private and that I can leave the study at any time.

Name of Participant: _____

_____ _____

Signature or Thumbprint Date

_____ _____

Name of Representative/Witness (where necessary) Relationship to Subject

Investigators statement

I, the undersigned, have explained to the volunteer in a language s/he understands, the procedures to be followed in the study and the risks and benefits involved

Jeremiah Thuku Thuku

Name of Interviewer

_____ 27th/09/2023

Signature Date

NB: The questionnaire focuses on youth aged 18-34 years within the Nairobi City County.

Kind regards

Jeremiah Thuku

07080007013

PART 1: Questions relating to the respondent's Socio-demographics

1. Please indicate your gender

   a) Male b) Female

2. What is your age bracket?

   a) 18-21 b) 22-25 c)26-29 d)30-34

3. Please indicate your marital status

   a) Married b) Not Married c) Widowed d) Divorced

4. Please indicate your highest level of education

   a) No Education b) Primary Education c) Secondary education
   e) Post-Secondary Education

5. How many dependants do you have? (Could be children, siblings, family or any other person dependent on you)

   a) 0 b) 1 c) 2 d) 3 e) 4 f) 5 g) More than 5

PART 2: Questions relating to Economic Status of the Respondent

6. Please indicate your occupation?

   a) Formal employment b) Casual laborer c) Business Person e) Unemployed

7. Please indicate your total average monthly income (Kshs) before taxes and any deductions. The figure should include salaries, pensions, wages, interest, dividends and any other income earned monthly(Kshs).

   a) Below 20,000 b) 20,001-50,000 c) 50,001-100,000 d) Over 100,000

8. Please indicate your average monthly savings(if not currently saving please indicate None on the dotted line)

   a)0-5,000 b)5,001-10,000 c)10,001-15,000 c)15,001-20,000 d)20,001+

   …….

PART 3: Questions relating to institutional factors and the respondents' saving behavior

9. Where do you put your savings? (If more than one platform please mark)

   a)Bank b) Sacco c) Credit Unions d)Micro-finance Institutions d)Chamas

   e) Merry go round/Rotating Saccos

   If others specify…….

10. What factors influence the choice of your saving platform? (You can tick more than one)

    a) Convenience b) Interest on savings c) Minimum deposit requirement

    e) Accessibility

11. Please indicate the amount of annual interest rate received from your savings.

    a)0-5% b)6-10% c(11-16% d)17-20% d) More than 20%

12. Please indicate the average monthly transaction costs incurred either in opening savings account, running savings account or withdrawing savings from the account(Kshs)

    a)0-100 b) Kshs 101-500 c)501-1000 d)More than Kshs 1000

APPENDIX

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: 788000

Date of Issue: 08/February/2024

RESEARCH LICENSE

This is to Certify that Mr.. Jeremiah Thuku Thuku of Kenyatta University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: Urban Youth Savings Mobilization: A case Study of Nairobi City County, Kenya for the period ending : 08/February/2025.

License No: NACOSTI/P/24/33017

788000

Applicant Identification Number

Director General
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Legal Notice No. 108: The Science, Technology and Innovation (Research Licensing) Regulations, 2014

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2. The research and its related activities as well as outcomes shall be beneficial to the country and shall not in any way;
    i. Endanger national security
    ii. Adversely affect the lives of Kenyans
    iii. Be in contravention of Kenya's international obligations including Biological Weapons Convention (BWC), Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO), Chemical, Biological, Radiological and Nuclear (CBRN).
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15. Relevant Institutional Scientific and Ethical Review Committee shall monitor and evaluate the research periodically, and make a report of its findings to the Commission for necessary action.

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