[Digital Transformation, Sustainable Innovations and Development in the African Continent]

[Thursday 31st July and Friday 1st August 2025]

[KWUST 2025 Conference Proceedings]

ABSTRACT NO. 12

Financial Literacy and Individual Financial Planning Effectiveness: An Analysis from A Kenyan Perspective

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ABSTRACT

This study investigates the influence of financial literacy on the effectiveness of individual financial planning, with particular focus on three key components: budgeting, saving, and investing. It is theoretically grounded in the Theory of Planned Behavior (TPB), Human Capital Theory, and Behavioral Finance Theory, which collectively frame the behavioral, cognitive, and emotional dimensions of personal financial decision-making. The purpose of the research is to evaluate how financial knowledge affects individuals' ability to make informed and productive financial decisions that enhance their financial well-being. Four core research questions were developed to explore the extent to which financial literacy impacts budgeting behavior, saving patterns, investment choices, and perceived financial security. The study employed an explanatory sequential mixed-methods research design. Quantitative data were collected from a sample of 300 respondents using structured questionnaires administered both electronically and face-to-face across Nairobi, Kiambu, and Nakuru counties. The data were analyzed using SPSS, which revealed a statistically significant positive correlation between financial literacy and budgeting behavior ($r = 0.74$), as well as a regression outcome showing that financial literacy accounted for 68% of the variation in saving behavior ($R^2 = 0.68$). Complementing the quantitative analysis, qualitative insights were gathered through semi-structured interviews with 30 participants, which affirmed the quantitative findings by highlighting behavioral changes such as enhanced confidence, increased saving frequency, and better investment judgment after financial education interventions. Despite the strengths of this comprehensive approach, the study acknowledges certain limitations, including reliance on self-reported data, possible response bias, and limited representation of rural populations. Nevertheless, the findings underscore the importance of targeted financial literacy programs as strategic tools to improve financial management and economic empowerment among Kenyan adults. The study makes a significant contribution to academic literature, financial policy formulation, and the development of inclusive financial education frameworks in emerging economies like Kenya.

Keywords:

Financial literacy, budgeting, saving, investment, and financial planning