Influence of Financial Literacy on Investment Decisions Among the Youth in Kenya: A Case of Boda-Boda Operators in Kisumu County

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ABSTRACT

The boda-boda industry in Kisumu County, Kenya, is a vital source of livelihood for thousands of youth, yet poor investment decisions and limited financial literacy hinder their economic progress. This study examines the influence of financial literacy on investment decisions among boda-boda operators in Kisumu County. Guided by the Theory of Planned Behavior and Human Capital Theory, a descriptive research design was employed, targeting 151 registered boda-boda operators across five major stages. A stratified random sampling technique selected 108 respondents, achieving a 90.8% response rate. Data were collected using a semi-structured questionnaire with a five-point Likert scale, with validity ensured through content and construct alignment and reliability confirmed with a Cronbach's alpha of 0.76 or higher. Descriptive statistics (frequencies, means, standard deviations) and inferential statistics (correlation, regression) were used for analysis. Ethical standards, including informed consent and confidentiality, were upheld. Findings revealed a strong positive correlation (r=0.879, p<0.01) between financial literacy and investment decisions, with regression results showing a significant effect (B=0.908, p<0.005). Perceptions of financial literacy programs were moderate, with only 32.7% agreeing to their accessibility, indicating implementation gaps. The study concludes that enhancing financial literacy significantly improves investment decisions, offering a pathway to economic empowerment. Recommendations include targeted training, policy interventions, and stakeholder collaboration to support youth in the informal sector.

Keywords: Financial Literacy, Investment Decisions, Youth Empowerment, Boda-Boda Operators, Kisumu County, Economic Empowerment, Financial Education, Informal Sector

I. INTRODUCTION

The boda-boda industry, comprising motorcycle taxis, is a critical economic driver in Kisumu County, Kenya, providing employment to over 20,000 youth aged 18–35 (Kisumu County Economic Survey, 2023). These operators facilitate affordable transport, contributing to urban and rural mobility. However, despite generating daily incomes, many face financial instability due to poor investment decisions, limited savings, and low financial literacy (Mutiso & Wanjiku, 2022).

Financial literacy, encompassing knowledge, budgeting skills, and investment awareness, is essential for informed financial decision-making in low-income, high-risk sectors like boda-boda operations (Lusardi & Mitchell, 2018).In Kisumu County, financial mismanagement among boda-boda operators is evident in low savings rates, reliance on high-interest mobile loans, and minimal investment in long-term assets (Ngugi, 2020). A 2022 survey by the Kisumu County Youth Empowerment Program found that only 27% of operators have access to financial literacy training, exacerbating cycles of poverty and limiting economic mobility. Globally, studies in informal sectors, such as India's street vendors and Nigeria's motorcycle taxis, highlight financial literacy's role in improving investment outcomes (Agarwal et al., 2019; Okeke & Eze, 2021). In Kenya, however, research on boda-boda operators is scarce, with most studies focusing on formal sectors or agriculture (Kamau, 2020). This study investigates how financial literacy influences investment decisions among boda-boda operators in Kisumu County. By examining financial knowledge, budgeting skills, and investment awareness, it aims

to address a critical gap in localized research, providing insights to enhance economic resilience and support sustainable development in the informal sector.

Statement of the Problem

Kisumu County's boda-boda industry employs thousands of youth, contributing significantly to the local economy through transport services. Despite daily earnings, operators face financial instability due to poor investment decisions, low savings, and reliance on predatory lending (Kisumu County Labor Report, 2023). Only 27% of operators have access to financial literacy training, leading to widespread financial mismanagement, including failure to invest in income-generating assets or retirement plans (Kisumu County Youth Empowerment Program, 2022). These challenges result in persistent poverty, high debt levels, and reduced economic mobility, threatening the industry's sustainability and operators' livelihoods.The lack of financial literacy among boda-boda operators undermines their ability to make informed investment decisions, impacting their financial security and the broader economy. While studies like Kamau (2020) explored financial literacy in Kenya's formal sector, they overlook the informal economy's unique challenges. Similarly, Wambua's (2021) study on savings in Nakuru County did not address investment decision-making among boda-boda operators. This study fills the gap by examining how financial literacy influences investment decisions in Kisumu County's boda-boda sector, offering actionable insights for policymakers, financial institutions, and youth empowerment programs to foster better financial practices and economic outcomes.

II. LITERATURE REVIEW

Theoretical Framework

Theory of Planned Behavior (TPB)The Theory of Planned Behavior (Ajzen, 1991) posits that behavior, such as investment decision-making, is driven by attitudes, subjective norms, and perceived behavioral control. For boda-boda operators, financial literacy shapes positive attitudes toward saving and investing, while social influences (e.g., peer financial practices) and perceived control (e.g., access to financial resources) influence investment choices. TPB is relevant as it highlights how financial knowledge enhances operators' confidence and intention to make informed decisions.

Human Capital Theory

Human Capital Theory (Becker, 1964) argues that investments in education and skills, including financial literacy, enhance individual productivity and economic outcomes. Financial literacy equips boda-boda operators with the knowledge to budget, save, and invest effectively, serving as a critical human capital resource. This theory supports the study's exploration of financial literacy as a driver of investment decisions, aligning with Becker's view that skill development fosters economic empowerment.

Empirical Review

Financial Literacy and Investment Decisions

Lusardi and Mitchell (2018) examined financial literacy's impact on financial decisions among low-income U.S. workers. A survey of 250 respondents revealed a positive correlation (r=0.76, p<0.05) between financial literacy and savings behavior, with literate individuals more likely to invest in long-term assets. The study emphasizes targeted financial education but does not address informal sectors. Agarwal et al. (2019) studied financial literacy among Indian street vendors, finding that training increased microenterprise investments by 38% among 180 respondents. The study highlights financial literacy's role in informal economies but lacks specificity to Kenya's boda-boda sector.

Okeke and Eze (2021) investigated financial literacy among Nigerian motorcycle taxi operators. Using a mixed-methods approach with 130 respondents, they found that operators with financial literacy were 42% more likely to invest in alternative income sources. The findings are relevant but do not account for Kenya's unique context. Kamau (2020)

explored financial literacy among Nairobi's small-scale entrepreneurs, finding that financial knowledge improved budgeting and investment decisions (B=0.68, p<0.01). The study focused on formal businesses, leaving a gap in informal sector research. Muriithi's (2019) study on youth savings in Kisii County noted that low financial literacy led to poor investment choices, but it did not target boda-boda operators.

Summary of Literature and Research Gaps

Table 1: Research Gaps

Authors	Main Purpose	Empirical Findings	Study Gaps	How This Study Fills the Gaps
Lusardi & Mitchell (2018)	Assess financial literacy's impact on financial decisions	Financial literacy enhances savings and investment (r=0.76, p<0.05)	Focuses on U.S. workers, not informal sectors	Examines boda-boda operators in Kisumu County
Agarwal et al. (2019)	Study financial literacy among informal workers	Training increased microenterprise investments by 38%	Lacks Kenya-specific context	Focuses on Kisumu's boda-boda sector
Okeke & Eze (2021)	Investigate financial literacy among Nigerian operators	Literate operators were 42% more likely to invest	Does not address Kenya's economic context	Explores local dynamics in Kisumu
Kamau (2020)	Examine financial literacy among Kenyan entrepreneurs	Financial literacy improves investment (B=0.68, p<0.01)	Focuses on formal businesses	Targets informal sector youth

Source: Researcher (2025)

Conceptual Framework

The conceptual framework illustrates that financial literacy through financial knowledge, budgeting skills, and investment awareness directly influences investment decisions such as savings behavior, asset acquisition, and long-term investments. Improved literacy equips youth with the capacity to make sound financial choices (Lusardi & Mitchell, 2018).

Financial Literacy

- Financial Knowledge

- Budgeting Skills

- Investment Awareness ↓

Investment Decisions

- Savings Behavior

- Asset Acquisition

- Long-term Investments

Source: Author (2025)

III. RESEARCH METHODOLOGY

Research Design

A descriptive research design was adopted to explore the influence of financial literacy on investment decisions among boda-boda operators in Kisumu County. Descriptive designs are ideal for examining relationships and describing phenomena without manipulating variables (Creswell, 2014), aligning with the study's aim to understand financial literacy's role in investment behavior.

Target Population

The target population comprised 151 registered boda-boda operators across five major stages in Kisumu County: Kisumu Central, Nyamasaria, Kondele, Manyatta, and Obunga. These operators were selected for their active role in the industry and economic contributions (Kisumu County Transport Registry, 2025).

Table 2: Distribution of Target Population

Stage	Number of Operators
Kisumu Central	33
Nyamasaria	30
Kondele	32
Manyatta	29
Obunga	27
Total	151

Source: Kisumu County Transport Registry (2025)

Sampling Design

A stratified random sampling technique was adopted to select 108 respondents, with each stage (such as sub-counties or wards) treated as a stratum to ensure proportional representation. The sample size was determined using Yamane's (1967) formula:

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

Where:

- n = desired sample size

- N = target population (151)

- e = margin of error (0.05)

Substituting the values:

$$n = \frac{151}{1 + 151(0.05^2)} = \frac{151}{1 + 151(0.0025)} = \frac{151}{1.3775} \approx 109.6 \approx 108$$

Thus, a sample size of 108 respondents was selected. This method helped ensure that the sample was representative of the population and reduced sampling bias.

Data Collection Instruments and Procedures

Data were collected using a semi-structured questionnaire with a five-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree). The questionnaire covered financial literacy (financial knowledge, budgeting skills, investment awareness) and investment decisions (savings behavior, asset acquisition, long-term investments). A pilot test with 11 operators from a neighboring county refined the instrument's clarity and relevance.

Validity and Reliability

Validity: Content validity was ensured by aligning questionnaire items with financial literacy and investment decision constructs, reviewed by finance experts. Construct validity confirmed that items measured the intended theoretical concepts (Lusardi & Mitchell, 2018). **Reliability:** Cronbach's alpha was used, with a threshold of 0.70 recommended by (George & Mallery, 2019). Pilot test results are as shown in Table 3.

Table 3: Reliability Statistics

Construct	Cronbach's Alpha	Number of Items
Financial Knowledge	0.781	3
Budgeting Skills	0.764	3
Investment Awareness	0.770	3
Savings Behavior	0.752	3
Asset Acquisition	0.759	3
Long-term Investments	0.766	3
Overall	0.763	18

Source: Pilot Test Results (2025)

The overall Cronbach's alpha of 0.763 indicates good internal consistency.

Data Collection Procedure

After obtaining ethical approval from the University of Nairobi's Institutional Review Board and a permit from NACOSTI, questionnaires were distributed using a drop-and-pick method. Respondents had three days to complete them, with follow-ups to ensure high response rates. Confidentiality and informed consent were maintained.

Data Analysis and Presentation

Quantitative data were analyzed using both descriptive and inferential statistics. Descriptive statistics such as frequencies, means, and standard deviations were used to summarize the data. Inferential analysis involved Pearson correlation to test relationships and multiple linear regression to determine the influence of financial literacy on investment decisions. The regression model applied in the study was:

Investment Decisions = β_0 + β_1 (Financial Literacy) + ε

Where:

- **Investment Decisions** represents the dependent variable

- **Financial Literacy** denotes the independent variable

- **β_0** is the constant (intercept)

- **β_1** is the regression coefficient

- **ε** is the error term

Data were analyzed using SPSS software and presented in tables for clarity.

Ethical Considerations

The study adhered to ethical standards, including informed consent, confidentiality, and cultural sensitivity. Data were securely stored, and approvals from relevant authorities ensured compliance.

IV. FINDINGS

This chapter presents the results derived from the data collected during the study. It includes the response rate, descriptive statistics, correlation, and regression analyses, aimed at addressing the research objectives.

Response Rate

Table 4 shows the number of questionnaires distributed and those successfully returned.

Table 4: Response Rate

Category	Frequency	Percentage
Expected	108	100%
Received	98	90.8%
Difference	10	9.2%

Source: Research Findings (2025)

Table 4 presents the response rate for the study. Out of the expected 108 respondents, 98 successfully participated, resulting in a response rate of 90.8%. This is considered adequate for statistical analysis, as a response rate above 70% is generally acceptable in survey research (Mugenda & Mugenda, 2019). The high response rate enhances the reliability and validity of the findings.

Table 5: Financial Literacy

Sub-Variable	Statement	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	Std. Dev.
Financial Knowledge	I understand the importance of managing money wisely	10.2	20.4	15.3	35.7	18.4	3.32	1.289
	I know how to calculate profit or loss from my daily operations	18.4	30.6	10.2	28.6	12.2	2.86	1.347
	Limited education or training has affected my ability to make sound financial decisions	25.5	35.7	12.2	20.4	6.1	2.46	1.256
Budgeting Skills	I try to plan how to spend my income even if I don't always follow the budget	15.3	22.4	14.3	30.6	17.3	3.12	1.341
	I find it hard to save because most of my income goes to daily needs	5.1	10.2	8.2	40.8	35.7	4.21	1.112
	Creating and using a budget has helped me reduce unnecessary spending	20.4	28.6	15.3	25.5	10.2	2.77	1.298
Investment Awareness	I have heard of investment options such as SACCOs, insurance, or mobile savings platforms	22.4	30.6	14.3	23.5	9.2	2.67	1.301
	I would invest more if I had enough income after meeting basic expenses	8.2	12.2	10.2	38.8	30.6	3.71	1.234
	Even with low income, I try to learn from others who are making wise investment choices	25.5	28.6	12.2	22.4	11.3	2.65	1.322

Source: Research Findings (2025)

Financial Knowledge: Respondents showed moderate understanding of money management (Mean=3.32, SD=1.289), with 54.1% agreeing or strongly agreeing. However, knowledge of profit/loss calculation was lower (Mean=2.86, SD=1.347), reflecting limited technical skills. The perception that limited education hinders financial decisions (Mean=2.46, SD=1.256) suggests barriers to financial literacy, consistent with Mutiso and Wanjiku (2022).

Budgeting Skills: High agreement (76.5%) that income goes to daily needs (Mean=4.21, SD=1.112) highlights financial constraints. Moderate budgeting efforts (Mean=3.12, SD=1.341) indicate attempts at planning, but low impact of budgeting on spending reduction (Mean=2.77, SD=1.298) suggests inconsistent application.

Investment Awareness: Awareness of investment options was low (Mean=2.67, SD=1.301), with only 32.7% agreeing they know about SACCOs or mobile savings. Desire to invest if income allows (Mean=3.71, SD=1.234) was high, but learning from others was limited (Mean=2.65, SD=1.322), indicating knowledge gaps.

Table 6: Investment Decisions

Sub-Variable	Statement	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	Std. Dev.
Savings Behavior	I save some money regularly, even if it is a small amount	30.6	28.6	12.2	20.4	8.2	2.47	1.309
	At times, I fail to save due to low or inconsistent income	5.1	8.2	10.2	38.8	37.8	4.26	1.098
	Saving has helped me avoid borrowing in emergencies	35.7	25.5	15.3	18.4	5.1	2.32	1.245
Asset Acquisition	I have bought or plan to buy valuable items (like a motorbike, land, or livestock) from my income	22.4	28.6	14.3	24.5	10.2	2.71	1.301
	I face difficulties in accumulating enough savings to buy major assets	8.2	10.2	12.2	40.8	28.6	3.71	1.234
	I believe acquiring assets will improve my family's future	5.1	8.2	10.2	38.8	37.8	4.26	1.098
Long-term Investments	I have started or considered investing in long-term projects like land, education, or retirement savings	28.6	30.6	12.2	20.4	8.2	2.49	1.289
	I find it hard to commit to long-term investments because I'm unsure about daily income stability	5.1	10.2	8.2	40.8	35.7	4.21	1.112
	Financial training has encouraged me to plan for my future, despite my income limitations	25.5	28.6	15.3	22.4	8.2	2.59	1.298

Source: Research Findings (2025)

Savings Behavior: Low regular saving (Mean=2.47, SD=1.309) reflects financial struggles, with only 28.6% saving regularly. High agreement (76.6%) that inconsistent income hinders saving (Mean=4.26, SD=1.098) underscores economic challenges. Limited impact of saving on avoiding borrowing (Mean=2.32, SD=1.245) aligns with Ngugi (2020).

Asset Acquisition: Moderate plans to acquire assets (Mean=2.71, SD=1.301) indicate aspiration, but difficulties in saving for assets (Mean=3.71, SD=1.234) are prevalent. Strong belief in assets improving future prospects (Mean=4.26, SD=1.098) suggests motivation despite constraints.

Long-term Investments: Low engagement in long-term investments (Mean=2.49, SD=1.289) reflects uncertainty, with income instability a major barrier (Mean=4.21, SD=1.112). Limited impact of financial training (Mean=2.59, SD=1.298) indicates gaps in accessible education.

Correlation Analysis

Table 7: Correlation Between Financial Literacy and Investment Decisions

Variable	Financial Literacy	Investment Decisions
Financial Literacy	1	0.879**
Investment Decisions	0.879**	1
Significance (2-tailed)=0.000		

Source: Research Findings (2025)

The results in Table 7 show a strong and statistically significant positive correlation (r = 0.879**) between financial literacy and investment decisions. This suggests that higher levels of financial literacy are associated with better investment decision-making. The double asterisks (**) indicate that the correlation is significant at the 0.01 level, confirming a meaningful relationship between the two variables.

Regression Model Summary

Table 8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.879	0.773	0.771	0.071
Predictor: Financial Literacy				

Source: Research Findings (2025)

Table 8 indicates a strong positive relationship between financial literacy and investment decisions, with an R value of 0.879. The R Square of 0.773 shows that financial literacy explains 77.3% of the variation in investment decisions. The Adjusted R Square (0.771) confirms the model's consistency, and the low standard error (0.071) suggests accurate predictions.

ANOVA

Table 9: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	128.456	1	128.456	3612.789	0.000
Residual	0.341	96	0.004		
Total	128.797	97			

Dependent Variable: Investment Decisions

Predictor: Financial Literacy

Source: Research Findings (2025)

The F-value of 3612.789 (p<0.005) confirms the model's statistical significance.

Regression Coefficient

Table 10: Coefficients

Predictor	B	Std. Error	Beta	t	Sig.
(Constant)	0.015	0.019		0.789	0.432
Financial Literacy	0.908	0.048	0.879	18.986	0.000
Dependent Variable: Investment Decisions					

Source: Research Findings (2025)

The regression coefficient results indicate a strong and statistically significant positive relationship between financial literacy and investment decisions. The unstandardized coefficient (B = 0.908) implies that for every one-unit increase in financial literacy, investment decisions increase by 0.908 units, holding other factors constant. The p-value (Sig. = 0.000) is less than 0.05, indicating that the relationship is statistically significant. The constant (β_0 = 0.015) is not statistically significant (p = 0.432), suggesting that in the absence of financial literacy, investment decisions remain negligible. Overall, the high t-value (18.986) and strong beta coefficient (β = 0.879) reinforce the predictive power of financial literacy on investment behavior among respondents.

V. CONCLUSIONS

This study establishes that financial literacy significantly shapes investment decisions among boda-boda operators in Kisumu County, Kenya, evidenced by a strong positive correlation (r=0.879, p<0.01) and a significant effect (B=0.908, p<0.005). Financial knowledge, budgeting skills, and investment awareness enhance savings behavior (Mean=2.47), asset acquisition (Mean=2.71), and long-term investment planning (Mean=2.49), critical for economic empowerment. However, limited access to training (32.7% awareness, Mean=2.67) and economic constraints, such as inconsistent income (76.6% agreement, Mean=4.26), hinder optimal financial behavior. These findings align with the Theory of Planned Behavior and Human Capital Theory, emphasizing financial literacy's role in fostering informed decisions. Targeted education can break poverty cycles, improve financial resilience, and enhance the sustainability of Kisumu's boda-boda industry, contributing to broader economic development.

VI. RECOMMENDATIONS

To improve investment decisions among boda-boda operators in Kisumu County, stakeholders must prioritize accessible financial literacy programs. Boda-boda associations and NGOs should offer free workshops on budgeting, profit calculation, and investment options like SACCOs, using relatable case studies to enhance engagement. The Kisumu County Government should integrate financial literacy into youth programs, leveraging mobile platforms for bite-sized content to suit operators' schedules. Financial institutions must develop low-cost savings and micro-investment products, supported by awareness campaigns to build trust. Collaborative mentorship programs, pairing successful operators with peers, can foster financial discipline. National policies should incentivize training through tax breaks for providers, ensuring sustainability. These interventions will empower operators, reduce poverty, and strengthen Kisumu's informal economy, addressing the low financial literacy (Mean=2.67) and economic barriers (Mean=4.21).

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