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Effects of Youth Awareness of Financial Services Access from Microfinance Institutions on Livelihood Development in Nairobi County

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Abstract

Access to financial services is a critical driver of economic empowerment, especially among youth in developing countries. In Kenya, where youth constitute over 75% of the population, many face persistent unemployment and underemployment challenges despite their entrepreneurial potential. In urban areas such as Nairobi County, young people often struggle to access formal credit and financial products needed to launch or expand income-generating activities. However, youth access to microfinance services remains limited due to low awareness among youth about available financial products and procedures, coupled with financial institutions' perception of youth as high-risk borrowers. This study, therefore, sought to investigate how youth awareness of financial services access from microfinance institutions on livelihood development in Nairobi County. This study was guided by Sustainable Livelihood approach and applied embraced positivist and interpretivist approaches. Exploratory sequential mixed method research design was employed during data collection. The study targeted 3,400 youth drawn from groups across 17 sub-counties in Nairobi County. It also included key informants from registered microfinance institutions, youth department officials from each sub-county, and representatives from the Ministry of Public Service, Youth and Gender Affairs, the Ministry of Cooperatives, and the Ministry of Industrialization. Yamane (1967) formula was used to obtain 358 youths from the target population. The study used a combination of stratified random sampling, purposive sampling and census techniques to select respondents from different categories. Quantitative data were gathered through the use of structured questionnaires, whereas qualitative data were obtained using key informant interview guides. The quantitative data were analyzed using both descriptive and inferential statistical methods, while the qualitative responses were organized and presented using thematic and narrative analysis techniques. The results revealed that awareness of MFI services is moderately to strongly correlated with livelihood development ($r=.659$, $p<0.05$). The regression analysis confirms this relationship,

showing that youth awareness of MFI services has a statistically significant positive effect on livelihood development (β=0.522, t=6.29, p<0.05). This indicates that the more informed youth are about microfinance products, procedures, and conditions, the greater their improvements in livelihood outcomes. Qualitative data from key informants further highlighted that while awareness has improved, it often remains superficial, failing to translate into a deep understanding of terms, eligibility, or the full spectrum of development-oriented products. Hence, microfinance institutions, in collaboration with government agencies and youth organizations, should invest in targeted awareness campaigns and financial education programs to enhance youth understanding and uptake of financial services. This would improve youth participation in economic activities and contribute to sustainable livelihood development.

Keywords: Livelihood development, financial inclusion, microfinance services, awareness, financial literacy, Nairobi County, youths

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Introduction

In 2022, the global population reached 8 billion, with youths aged 15 to 29 accounting for 1.8 billion, representing approximately 23% of the total population (World Bank, 2022). Africa, home to a rapidly growing population of over 400 million young people between the ages of 15 and 35, is grappling with an acute youth employment crisis that poses significant socio-economic challenges for the continent's future.

The COVID-19 pandemic significantly reversed progress in poverty reduction, pushing millions back into poverty (estimated 97 million in 2020 and an additional 77 million in 2021) and widening the "great finance divide" as developing nations lacked the borrowing capacity of richer countries for effective response and recovery (Erdem, 2023; Watkins, Nwajiaku-Dahou & Kovach, 2024). Compounding these economic pressures is the escalating climate crisis, which disproportionately threatens the development prospects of the poor and vulnerable, including youth (Ogbanga, 2024). Climate change acts as a potent 'threat multiplier,' especially as many young people in developing economies rely on climate-sensitive sectors like agriculture

or operate in informal economies susceptible to climate shocks (e.g., droughts, floods) (Adebayo, 2024; Mensah, Nalumu, Simpeh & Mensah, 2022). Such events destroy assets, disrupt income, and complicate loan repayment, potentially making financial institutions more risk-averse and restricting access to the very finance needed for climate adaptation (Biju & Tantia, 2024). Consequently, development efforts increasingly focus on integrating climate resilience into economic inclusion programs. Furthermore, a significant number of youth live in fragile and conflict-affected states (FCAS), environments consistently lagging in poverty reduction and financial inclusion (Quevedo et al., 2023).

According to the United Nations Development Programme (UNDP, 2023), approximately one-third of African youth are unemployed and have become discouraged from actively seeking work, often due to persistent structural barriers, limited job opportunities, and a lack of access to skills training. Another one-third are classified as vulnerably employed, engaged in informal or precarious work that lacks job security, adequate income, and social protection. These roles such as subsistence farming, street vending, and informal service jobs offer limited prospects for escaping poverty or achieving long-term economic stability (Kubik, 2022). Alarmingly, only one in six young Africans holds a formal wage-paying job, reflecting a significant mismatch between the supply of educated or employable youth and the limited absorption capacity of the formal labor market (Vale et al., 2022).

In response to this youth employment crisis, governments around the world have initiated and supported various youth programs not only to combat unemployment but also to promote livelihood development. Consequently, youth are increasingly engaging in enterprise development, with their entrepreneurial potential opening doors to new opportunities and access to essential resources (Ozor, Muhatiah & Nyambane, 2024). Livelihood development, however, heavily depends on the availability of resources chief among them being financial capital, which plays a vital role in fostering both individual and community growth (Ayalu, Abbay & Azadi, 2023). A combination of financial and non-financial resources is essential, making microfinance support a critical component of youth development strategies. The provision of financial capital in small quantities is specifically designed to meet the unique needs of young enterprises and unlock their entrepreneurial potential by granting them access to opportunities and vital resources (Rusu, Roman & Tudose, 2022; Mira & Ogollah, 2013). Hence, access to financial capital is indispensable for youth entrepreneurs navigating these socioeconomic challenges.

Microfinance has thus emerged as a key global strategy to address this, targeting low-income clients, including the self-employed, who typically lack collateral and access to traditional credit (Chandrarathna & Sumanasiri, 2021). Access to financial services helps people improve their lives in order to help them work their way out of poverty (Hasan, Singh, Agarwal & Kushwaha, 2025; Hasan & Hoque, 2021). The founder of Grameen Bank, Muhammad Yunus, initiated an innovative idea of microcredit that focused on supporting the low-income people (Jahan & Khondaker, 2023; Rahman, 1999). It provided financial services to poor or disadvantaged individuals, and helped them accumulate useably large sums of money to expand their choice and reduce the risks they face (Byamuhaya & Fondo, 2014). With this initiative, microfinance has expanded to occupy a central place all over the globe in providing financial resources to the poor and changing their livelihoods through access to formal loans or credit

(Grameen Bank, 2008; 2009). Microfinance is not selective; it is given to people working in a variety of different trades, to invest in themselves or their business to reduce poverty. When providing loans, micro-credit institutions do not require collateral, but do insist that the loan is repaid within six months to a year (Brooks, 2013).

In Kenya, over 75% of the population is youth, yet most face ongoing unemployment and underemployment despite their entrepreneurial drive (KNBS, 2019). Kenya Vision 2030, the nation's long-term development plan, points out job creation as key for economic, social, and political growth (Onsomu et al., 2022). Its economic pillar specifically aims to expand financial services to boost savings, investment, and economic empowerment, with youth being a key focus for promoting self-employment (The Youth Agenda, 2009). However, many young Kenyans, especially in rural and informal urban areas, struggle to get the financial and training resources needed for viable ventures. The growing informal sector, or Jua Kali, offers an alternative for many youths with basic skills gained through apprenticeships (Momanyi, 2024). This sector not only provides income but also promotes purpose, connection, agency, and positive identity among young people.

To tackle youth unemployment, the Government of Kenya has implemented policies and programs for job creation, skills training and financial empowerment (Omukhango & Etyang, 2022). These efforts aim to engage youth in productive activities that improve food security and reduce poverty. The government also promotes youth groups and social networks to improve access to resources and strengthen their bargaining power, especially in financial matters (Munyu, 2016).

Microfinance Institutions (MFIs) in Kenya were established to fill financial gaps by offering small loans to those underserved by traditional banks (Kithinji, 2023). Yet, despite custom-made products, MFIs still have limited reach among youth (Athiambo, 2024). High interest rates, collateral requirements and complex procedures often deter young people. Even when loans are secured, much of the money goes to initial startup costs, leaving little for reinvestment and affecting long-term business growth (Kithinji, 2023).

Nairobi County exemplifies these national trends, with many youth in its informal economy facing low wages, job insecurity and lack of formal contracts (Achieng, 2024). These factors make them high-risk borrowers, limiting their access to credit from financial institutions. To overcome these hurdles, many youths rely on social capital through Self-Help Groups (SHGs), or chamas. These informal groups allow them to pool savings and access collective credit (Wesonga, Aseey & Muthami, 2022). Both national and county governments support the formation of these groups and the Central Bank of Kenya encourages financial institutions to serve them. However, youth access to microfinance remains limited, largely due to a lack of awareness and the perception that young borrowers are risky. Many youth simply don't know about available microfinance services or how to use them, while financial institutions remain hesitant to lend to this demographic without strong guarantees. This study, therefore, sought to investigate how youth awareness of financial services access from microfinance institutions on livelihood development in Nairobi County.

Literature review

Empirical Review

The OECD (2005) defines financial education as enhancing consumers' understanding of financial concepts

through information, skills development, and informed decision-making. However, many young entrepreneurs lack essential financial knowledge and management skills, limiting their market access. Youth failure to access financial services could be due to tendency of feeling inadequate for the credit services, which indicates a lack of demand for, or lack of exposure to, formal deposit services among youth (McNulty & Nagarajan, 2005). The OECD (2011) advocates early entrepreneurship education to develop business skills and cultivate an entrepreneurial mindset, benefiting both future business owners and employees in the modern economy. However, such training remains inadequately incorporated in higher education curricula (European Network on Youth Employment, 2010). Effective training can enhance their ability to secure microfinancing and develop sustainable livelihoods. Youth entrepreneurship plays a key role in addressing critical societal challenges such as crime, poverty and inequality. Empirical evidence suggests strong relationship between financial literacy, access to financial services, and persistent socio-economic disparities especially in rural areas.

In the UK, independent evaluations of MyBnk's financial education programs, such as Money Works and The Money House, demonstrate significant improvements in youth financial capability and stability. ERS Research (2018) used pre- and post-intervention surveys with 2,053 participants (ages 16–25), finding a 60% reduction in debt and a 23% rise in regular saving behavior after financial training. Participants also showed increased confidence in managing money and digital finance skills. A follow-up study of The Money House across 826 responses revealed reductions in rent arrears, evictions and bank charges, with savings and budgeting habits rising significantly (ERS Research, 2018). These findings emphasize that awareness, via education, strengthens young people's ability to secure stable housing, reduce financial stress, and improve livelihood resilience core dimensions of livelihood development.

Joshi (2021) assessed the awareness and preference of rural youth towards financial products in India. The study highlighted that rural populations face several challenges, including poor financial conditions, limited access to technological infrastructure, and inadequate financial education. These challenges contribute to low awareness and utilization of financial products, ultimately affecting economic advancement. The study emphasized that financial literacy is key for improving the financial well-being of rural populations and promoting economic upliftment.

In Nigeria, Björkegren et al. (2022) conducted a randomized digital credit intervention with urban youth. While the loan program did not significantly raise household income, borrowers reported improved subjective well-being and financial security after three months. Though modest in economic effect, the positive change in financial confidence and self-efficacy is a vital component of livelihood development.

In Uganda, a study by Okiror (2024) involving 175 vulnerable individuals, including youth, demonstrated a strong, positive correlation between financial literacy and access to financial services. The findings revealed that individuals who possessed higher levels of financial literacy were significantly more likely to utilize financial products such as savings, credit, and insurance, indicating that understanding financial concepts directly translates into greater engagement with available services.

Similarly, research from Tanzania by Mbunda and Kajembe (2024) focused on how financial access awareness

influences the ability of Vocational Education and Training (VET) trainees to access financial services. The study at Kibaha VET College, which surveyed 242 trainees and interviewed 10 graduates, revealed that classroom lectures were the primary source of financial awareness, followed by social media and peers. A strong positive correlation ($r = .95$, $p < .0005$) was found between financial access awareness and the ability to access financial products. Despite this strong link, the study found that trainees' overall financial access awareness was low, indicating a need for more diverse and engaging educational strategies beyond traditional classroom settings.

In Kenya, programs like the Youth Enterprise Development Fund (YEDF) and the Uwezo Fund were set up to help young people, especially those from low-income and marginalized communities, access microfinance. These funds are meant to support youth in starting businesses and finding pathways to self-employment (Hassan, 2022). But how much these programs help often depends on whether young people actually understand the financial services available to them.

Research shows that awareness plays a big role in how youth use financial services to improve their lives. A 2023 study by Wilo, using FinAccess 2021 data, found that formal education, income, and age all positively influenced financial inclusion among youth, emphasizing the importance of targeted financial education. This suggests that informed youth are better positioned to take advantage of microfinance to support income-generating activities. This is corroborated by Lubanga's 2016 study of 384 rural youth in Kimilili, which established a strong link between financial literacy and credit access. The research showed that financially literate youth were more likely to save, manage their finances responsibly, and evaluate financial products, all of which improved their creditworthiness. Building on this, Muhati and Bosire (2023) assessed youth enterprises in Machakos Town and discovered that financial literacy, particularly in areas like budgeting and debt management, significantly impacted the uptake of credit, accounting for 75.4% of its variability. This indicates that practical financial skills training is a key driver for youth entrepreneurship.

Muhati and Bosire (2023) looked at youth enterprises in Machakos Town and found that being able to budget, manage debt, and keep records explained most of the differences in whether young people got credit or not. For them, financial literacy wasn’t just theory it was what made the difference between a struggling business and a sustainable one.

Digital financial tools are also opening up opportunities, especially in informal settlements. Wachira, Kihara, and Okech (2023) found that youth in Kibera who were aware of digital credit options whether from banks, mobile money providers, or fintechs showed better financial health and stronger business performance. But the picture isn’t entirely positive. Ngandi (2024) and Wathome (2020) both observed that while saving through digital platforms helped young people improve their financial position, relying on digital credit without proper understanding often led to debt stress. These findings suggest that raising awareness must go hand-in-hand with education on how to use financial tools responsibly.

Other studies reinforce this. In Kibera, Ochieng, Njagi, and Kiveu (2023) found that youth who understood microfinance terms were better able to negotiate loans that actually helped their businesses grow. But they also noted that awareness alone isn’t enough youth need access to fair loan conditions, including low

interest rates and flexible repayment plans, for long-term benefits to be realized.

For youth with disabilities, the barriers are even more layered. Muuo et al. (2025) found that many face low income, poor infrastructure, and limited support from financial providers. Still, when digital financial tools are designed with accessibility in mind, these youth can benefit. Nyokwoyo et al. (2023) also found that mobile phones, internet access, and agency banking made it easier for youth-run businesses in Nairobi's CBD to access financial services and improve performance.

However, access is still uneven. Bikketi et al. (2023) showed that many low-income youth face challenges like unstable earnings, lack of collateral, and poor financial literacy. These barriers make it hard to benefit from financial services, even when they're technically available. Onyango and Wafula (2018) noted similar issues in Kitui County, where microfinance helped grow youth-owned businesses but only for those who could navigate the system and had some credit history.

Awil (2022) and Odhiambo, Gathungu, and Opondo (2023) add that access to credit depends on several overlapping factors, including gender, education, training, and the size of the business. They argue that while awareness is necessary, it's not enough. Without supportive structures like training programs, simplified loan terms, and inclusive policies awareness alone won't translate into better livelihoods.

Several studies have examined financial literacy, digital inclusion and microfinance access among youth, few directly assess how awareness of financial services offered by microfinance institutions specifically shapes livelihood development outcomes in urban areas like Nairobi County. Most existing research treats financial awareness as a general concept or focuses on usage statistics rather than exploring its effect on concrete livelihood indicators such as business sustainability, income growth, or employment creation. Additionally, there's limited evidence that connects awareness levels to microfinance uptake and long-term livelihood outcomes in Nairobi's urban informal settlements, where access barriers and misinformation remain prevalent. Therefore, this study hypothesis that;

H_{o1}: Youth awareness of financial services offered by *microfinance institutions has no significant effect on livelihood development among youth in Nairobi County.*

Theoretical Framework

The sustainable livelihoods Approach concept emerged from the Brundtland Commission's effort to integrate environmental sustainability with social and economic development goals. This approach was further advanced during the 1992 Earth Summit, where Agenda 21 established sustainable livelihoods as a strategic framework for tackling poverty, promoting environmental stewardship and promoting inclusive development (UNDP, 1997). This marked a significant departure from earlier models that focused narrowly on income, toward a more comprehensive understanding of poverty that includes vulnerability, marginalization and institutional constraints (Krantz, 2001).

The UK Department for International Development (DFID) translated this into practice through the Sustainable Livelihoods Approach (SLA), which defines a livelihood as the combination of assets, capabilities, and activities necessary for meeting basic needs and sustaining well-being (DFID, 1999). The SLA framework identifies five key types of capital financial, human, social, natural, and physical and situates them within broader vulnerability and policy contexts (Kogachi & Shaw, 2023).

This aligns with Brundtland's vision of intergenerational equity, emphasizing the need to balance present and future development needs. Real-world applications, such as the Grameen Bank model, illustrate how microfinance can mobilize financial capital to support entrepreneurship and empower marginalized populations (Grameen Bank, 2000; Pane Solis, 2022).

Access to financial capital is key in unlocking economic potential for disadvantaged groups, particularly youth and low-income households, who often face credit constraints that affects investment in productive activities (Udohaya, 2025). Microfinance institutions (MFIs) address this gap through mechanisms such as group lending, which helps reduce risk and facilitate financial inclusion. Benefits of such microfinance interventions include: microenterprise development and income generation, consumption smoothing and resilience building during shocks and asset building and long-term planning through savings-led models (Niklis, Baourakis & Zopounidis, 2019; Nshimiyimana, 2022). Moreover, when well-implemented, microfinance can transform financial access into broader social and economic mobility. For instance, Yunus (1999a) highlights the potential of microcredit to empower women and lift entire communities out of poverty. However, such outcomes are not automatic they depend on various contextual factors such as institutional trust, financial literacy and supportive infrastructure (Haidar, 2009).

For youth, the integration of financial services with skills development, mentorship and entrepreneurship training enhances the utility of microfinance, as emphasized by Musarurwa (2015). Nonetheless, structural challenges including regulatory limitations, high transaction costs, and exclusionary practices still restrict access for many, calling for targeted policies and innovations to create a more enabling environment.

Livelihoods outcomes will be important, because they highlight the results of peoples' strategies, which are ways and means of individuals engaging in particular economic activities, to produce their livelihood and meet their needs, wants or aspirations (Kumar et al., 2023). When people have access to credit, they are more likely to have greater livelihood options with which to pursue their goals and reduce poverty. Yet a major influence on people's choice of livelihood strategies is their access to assets and the policies, institutions and processes that affect their ability to use these resources to achieve positive livelihood outcomes (Haidar, 2009). Youth can utilize the sustainable livelihood approach to identify resources to understand opportunities or constraints that hinder their full participation in economic pursuit (DFID, 1999). It is worth noting that as ILO seeks to support governments in creating vibrant small enterprises that will provide decent work for groups such as the youth. The focus is not only to encourage small enterprises, but to enable them make positive contribution through employment and provision of low-cost goods and services used by the poor (Vandenberg, 2006).

In regard to this study, the SLA framework suits the idea that the youth in their livelihood development need sustainable sources of income. Further, awareness of available financial services, including eligibility criteria, loan processes and repayment terms, constitutes a form of human capital, which, when lacking, becomes a critical barrier to financial access (Thohari & Rizky, 2021). SLA highlights that enhancing human capital through awareness creation and financial literacy can significantly empower youth to better utilize available financial opportunities. Additionally, access to

finance is not merely about product availability but also about the capability of individuals to understand, navigate, and use financial services in a way that contributes to long-term economic stability and resilience.

Methodology

The study utilized both the positivist and interpretivist approach as it gives an in-depth understanding of the research participants and their multiple ways of experiencing reality. The researcher believed in epistemic relativism; that there is no singular reality 'out there' and that indeed, there are multiple realities existing simultaneously. This relativistic way of interpreting the world and ascribing arbitrary meanings which emanates from a person's beliefs and perceptions is what phenomenologist concern themselves with.

Exploratory sequential mixed method research design, which refers to an investigation in which the phases of the research occur in a consecutive order, with one phase emerging from or are following the other was employed during data collection. The study first collected data from the youth using the questionnaires then conducted the interviews from the Department of Youth Affairs at the Sub County level, the then Ministry of Public Service, Youth and Gender Affairs, Ministry of Cooperatives and Ministry of Industrialization and staff from sampled micro-finance institutions. The research questions addressed as well as the procedures used in one phase depends on the previous phase. In sequential mixed method research the research includes phases that occur either simultaneously or with some time lapse. These phases address related parts of the same research questions.

The study was carried out in Nairobi County. Nairobi County has nine Sub counties namely: Dagoretti, Embakasi, Kamukunji, Kasarani, Langata, Makadara, Westlands, Starehe and Njiru. Nairobi County has a population of 3,138,368, with a population of 4,515 people per km sq, and an annual growth rate of 4.1% (GoK 2019 census). The Nairobi city is the capital of the Republic of Kenya and also a centre of administration, politics, economy and culture of Kenya. It accounts for 50% of formal employment in Kenya and generates over 50% of the Gross Domestic Product (GDP). It is situated in the southern part of the country at an altitude of 1,660metres above sea level. It borders Kiambu County to the North West, North and North East, Machakos County to the East and South East and Kajiado County to the South, South West and West.

Nairobi is the capital city and the largest city of Kenya as well as one of the most prominent cities in Africa and an important economic centre in East and Central African regions. It is home to many multinational companies and organizations including several United Nation (UN) bodies such as United Nation Environment Program (UNEP), World Health Organization (WHO) and UN Habitat (Onyango & Owiti, 2016). Nairobi County has been chosen purposively because of the diverse economic activities and the microfinance service providers that have the mandate of offering services to low income population including the youth. Over 40 commercial banks have their headquarters and branches all over the city with some international banks having their regional headquarters in the County. The County also boasts of over 45 microfinance institutions. The major economic activities are in social, personal and professional business services sector accounting for 52.1% of all the income generated in the city (KIPPRA, 2013). There is also wholesale and retail trade, manufacturing sector and tourism. The area of study being the former districts hold a lot of vital

information despite the new constitution having sub divided the districts into smaller administrative units currently under new names and are functioning as sub counties. The microfinance institutions were sampled from the County, and were in turn share the beneficiaries of microfinance services to enable sampling of the youth who have had access to financial capital.

The target population was 3400 youth from youth groups in the 17 Sub Counties. Each Sub County was represented by 10 youth groups, where each group has an approximate membership of 20. In addition to these youth, the research also included key informants from 45 registered microfinance institutions operating in Nairobi County, as well as 17 youth department officials from each Sub-County. Furthermore, representatives from the Ministry of Public Service, Youth and Gender Affairs, the Ministry of Cooperatives, and the Ministry of Industrialization.

To determine the appropriate sample size for youth groups, the study applied Yamane's (1967) simplified formula, a widely recognized method for calculating sample size (*n*) based on the total population (N) and a predetermined level of precision (*e*). Specifically, the formula was used with a 95% confidence level and a 5% margin of error, ensuring a statistically robust and reliable sample size.

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

No. of youth (n) =

$$n = \frac{3400}{1 + 3400(0.05)^2}$$

=358

The study used a combination of stratified random sampling, purposive sampling and census techniques to select respondents from different categories within the sample size. Stratified random sampling was applied to select 358 youth respondents from organized youth groups across the 17 Sub-Counties in Nairobi County. To ensure proportional representation, the youth were first stratified by Sub-County and then by group. From each group, a random sample of members was selected using simple random sampling to allow equal chance of selection and to avoid bias. A census approach was adopted for credit officers from registered microfinance institutions operating in Nairobi County. These respondents were selected based on their knowledge and direct involvement in youth financial services. In addition, youth officers one from each Sub-County were purposively selected due to their administrative role in youth affairs. A census approach was adopted for national-level officials from relevant government ministries. This included officials from the Ministry of Public Service, Youth and Gender Affairs, the Ministry of Cooperatives, and the Ministry of Industrialization, all of whom were selected because of their policy-level oversight and involvement in youth economic empowerment programs.

The study relied on primary data collected through self-administered questionnaires, which are effective tools for obtaining non-observable data such as individual attitudes, perceptions, motivations, and personal experiences. This method was particularly suitable for the study's objectives, as it allowed respondents to provide honest and thoughtful answers at their own pace, minimizing interviewer bias and ensuring confidentiality. The open-ended and closed-ended questionnaires were distributed to youth respodents were interview schedules were distributed to crediti officers, youth department officials, representatives from the Ministry of Public Service, Youth and Gender Affairs, the

Ministry of Cooperatives, and the Ministry of Industrialization.

A pilot study was carried out to identifying design issues and improving reliability. Ten percent of the target population was involved, comprising 35 randomly selected youth group members and 4 key informants chosen through convenience sampling. Feedback from the pilot led to adjustments such as rewording unclear items and reorganizing questionnaire flow. Data collected during the pilot were excluded from the final analysis to maintain the integrity of the study.

To establish validity, the study applied content validation based on Rubio, Berg-Weger, Tebb, Lee and Rauch (2003), ensuring that items accurately reflected the constructs under investigation. Three experts in youth development, microfinance, and public administration independently reviewed the tools for clarity, relevance, and alignment with objectives. Their feedback informed the refinement of questions. Exploratory factor analysis was used to establish the validity of the constructs of the research instrument. The requirements for KMO and Bartlett's test being above 0.5 and 0.000 significance were realized.

Reliability was evaluated using Cronbach's Alpha in SPSS, with a minimum threshold of 0.6 for acceptability according to Leech, Barrett and Morgan (2014). Instruments with low reliability were revised and re-tested. The study also ensured qualitative reliability through triangulation, collecting data from multiple sources and institutions. Quantitative and qualitative data were then systematically prepared, cleaned, coded, and analyzed to support valid and actionable conclusions

Quantitative data analysis was carried out using both descriptive and inferential statistical techniques. Descriptive statistics such as means, standard deviations, and frequency distributions (percentages) were employed to provide a summary of the demographic and response variables. The outcomes were then presented through visual aids such as tables and graphs to facilitate easier interpretation and comparison. Inferential statistics were used to draw conclusions about the broader population based on sample data. This allowed the study to go beyond mere description and test hypotheses about the relationships between variables relevant to microcredit access and youth livelihood outcomes.

In addition to quantitative methods, qualitative data were analyzed through content analysis, which involved the systematic categorization and interpretation of narrative responses. The process entailed identifying recurring themes, patterns, and meanings from interviews with key informants.

The study used regression analysis to examine the relationships between key variables. T-tests at a 95% confidence level assessed the significance of individual predictors, while F-tests evaluated the overall model fit. The coefficient of determination (R^2) indicated how much variation in livelihood development was explained by the independent variables, and the correlation coefficient (R) showed the strength and direction of these relationships. A multiple regression model was applied to determine the relative contribution of each independent variable, depicted as:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + e$$

Where:
Y = Youth Livelihood development
X_1 = Awareness
β_0 – is the constant,
e is the error of prediction.

Results and Discussion

Response Rate

The response rate is the number of people who completed a survey divided by the total number of people in the sample who were invited to take the survey (Sataloff & Vontela, 2021). Determining the response rate is key for evaluating the quality, validity and generalizability of research findings (Taherdoost & Madanchian, 2025). A higher response rate generally indicates a more representative sample, reducing the risk of nonresponse bias where the characteristics of those who respond differ significantly from those who do not (Scheaf, Loignon, Webb & Heggestad, 2023). This bias can lead to skewed results and misleading conclusions, weakening the credibility of the research and limiting the applicability of findings to the broader population (GeoPoll, 2024. Therefore, a good response rate is a key indicator of data accuracy and provides greater confidence in the information derived, allowing for more informed decision-making. This study hence evaluated the response rate and presented the finding in Table 1 below.

Table 1: Response rate

Total Questionnaires issued	Questionnaires filled and Returned	Response (percentage)
358	287	80.2%.

Source: *Research Data, (2022)*

Out of the 358 questionnaires distributed, 287 were successfully completed and returned, resulting in a response rate of 80.2%. This is considered a strong response rate for survey-based research, suggesting good participant engagement and enhancing the credibility of the data collected. A rate above 70% typically indicates that the findings are likely to be representative of the target population, with minimal risk of non-response bias. Further, according to Akinwande, Onifade and Roosfa, (2019) a response rate that falls within 80 – 85% for in-person is considered good for a survey study.

Demographic Characteristics of the Participants

Demographic characteristics refer to the statistical features that describe a population, providing a snapshot of its composition. These include details like age, gender, education level, marital status, occupation, income, religion and ethnicity (Kayode, Muhammad & Bello, 2021). This study therefore evaluated the demographic characteristic of youth respodents. The findings are summarized in Table 2 below.

The gender distribution shows that 63.1% were male and 36.9% female. This gender imbalance suggests that more males are engaged in youth economic activities or are more likely to seek microfinance services. Research by FSD Kenya (2023) indicates that young men often dominate formal financial spaces, while young women are more active in informal savings groups. This disparity may reflect structural and cultural barriers limiting female participation in formal economic programs.

In terms of age, the majority (38.7%) were between 24–29 years, followed by 25.4% aged 18–23, and 21.3% aged 30–35. Only 5.6% were under 18, and 9.1% were above 35. These results highlight that the majority of microfinance-engaged youth fall within the 18–29 age group, often described as Kenya's most economically vulnerable yet entrepreneurial cohort (KNBS, 2019). This aligns with findings that economic pressure and limited formal job opportunities have driven many young adults to pursue self-employment and access microcredit to support livelihoods (ILO, 2021).

The duration of group membership reveals that 38.0% had been in youth groups for 5–10 years, while 28.6% had

joined 1–5 years ago, and 23.7% were relatively new (less than 1 year). Only 9.8% had over 10 years of membership. This suggests that most participants had sufficient exposure to group-based financial or developmental programs, positioning them to reflect knowledgeably on challenges and opportunities in accessing credit (World Bank, 2020). Sustained group involvement often correlates with increased financial literacy and business stability (OECD, 2019).

Educational attainment among respondents was high, with 47.0% having university or college-level education, 43.6% with secondary education, and only 9.4% with primary education or below. This is significant, as education enhances the ability to engage with financial services, interpret loan terms, and manage businesses effectively (GEM, 2022). The dominance of highly educated but underemployed youth signals a mismatch between academic qualifications and available job opportunities, pushing them toward self-employment as an alternative path.

Economic training data reveals that 39.0% had no formal training, while 33.4% had received professional training, 14.3% had undergone apprenticeships, and 13.2% had vocational training. Although most respondents had some exposure to training, the lack of training among over a third limits their capacity to manage loans or enterprises sustainably. According to OECD (2010), early and continuous economic education increases entrepreneurial success rates, especially in resource-constrained environments like urban Kenya

Table 2: Demographic characteristics of respondents (N = 287)

Demographic Variable	Category	Frequency	Percentage (%)
Gender	Male	181	63.1
	Female	106	36.9
Age Category	Below 18 years	16	5.6
	18–23 years	73	25.4
	24–29 years	111	38.7
	30–35 years	61	21.3
	Above 35 years	26	9.1
Group Membership Period	Less than 1 year	68	23.7
	1–5 years	82	28.6
	5–10 years	109	38.0
	Above 10 years	28	9.8
Education Level	Primary or below	27	9.4
	Secondary	125	43.6
	University/College	135	47.0
Economic Training	Vocational training	38	13.2
	Apprenticeship	41	14.3
	Professional training	96	33.4
	None	112	39.0

Source: *Research Data, (2022)*

Daily Economic Activity

The study sought to understand the daily economic activities that youth

engage in as part of their livelihood strategies. To gather detailed information, respondents were asked an open-ended question to describe the income-generating activities they participate in or observe among their peers. These activities were categorized into thematic sectors for clarity and summarized in the Table 3 below.

Table 3: Daily economic activities of youth respondents (N = 287)

Category	Specific Activity Examples	Frequency	Percentage (%)
Small-scale Trade	Selling second-hand clothes, groceries, kiosk, cereals, eggs, sugar	52	18.1
Transport Services	Boda boda business	36	12.5
Beauty & Personal Services	Salon, shoe shining, house cleaning	30	10.5
Agriculture & Farming	Rearing chicken, small-scale farming	28	9.8
Crafts & Artisan Work	Beadwork, mat making	20	7.0
ICT & Tech-related Services	Photocopying, printing, internet café	22	7.7
Education & Childcare	Teaching Early Childhood Development (ECD), peer education	18	6.3
Temporary/Part-time Employment	Event organizing, branding, casual labor	26	9.1
Health-related Services	Volunteer community health worker, medical lab assistant, health worker	14	4.9
Hawking & Petty Trade	Street vending, mobile sales	21	7.3
Students/Inactive	Schooling, awaiting job placements, group training participants	20	7.0
Total		287	100.0

Source: Research Data, (2022)

The findings reveal that majority of youth (18.1%) in Nairobi County engage in small-scale trade activities, including selling second-hand clothes, groceries, and cereals. These types of businesses are common because they're affordable to start and provide daily income. For young people without formal jobs, especially in cities, such informal trade offers a practical way to meet their needs (Kenya National Bureau of Statistics [KNBS], 2022).

A significant number, 12.5%, work in transport mainly through boda boda (motorcycle taxi) services. This sector has become a reliable source of income for young men facing limited job options. It offers flexibility and quick returns, even though riders often deal with safety issues and unclear regulations (Wambugu, 2021). Others, mostly young women, engage in beauty and personal services like running salons, cleaning houses, or shining shoes. About 10.5% of respondents mentioned these kinds of jobs, which are typically learned through informal apprenticeships and peer support (International Labour Organization [ILO], 2021).

Another 9.8% are involved in small-scale farming and poultry keeping. While Nairobi is urban, many youth in its outskirts still grow food or keep livestock to support their families. Urban farming not only helps with food security but also creates income for those who may not have finished school or secured other

forms of employment (UN-Habitat, 2020). Artisan work, such as beadwork and mat making, was also common among 7.0% of respondents. These activities are accessible, especially to young women or those with fewer educational opportunities.

A smaller group, 7.7%, are tapping into digital services offering photocopying, printing, and internet café services. These tech-related businesses, though small, highlight growing demand for digital services in urban settings. They also point to a promising space for digital training and support programs (GSMA, 2021). Meanwhile, 6.3% are working in education or childcare, including early childhood teaching or peer education, likely driven by both training and community needs.

Some youths (9.1%) are juggling temporary or part-time work, such as organizing events or doing casual labor. These jobs tend to be irregular and poorly paid but are often the only available option. A smaller number (4.9%) work in health-related roles like community health or lab services likely supported by local training or NGO programs. Street vending and hawking, practiced by 7.3%, remain fallback income sources for many low-income youth (World Bank, 2020). Lastly, 7.0% of respondents are currently students or not actively working, suggesting they are still in school or looking for opportunities.

Descriptive statistics for Livelihood development

The study first evaluated access to microfinance services affects youth's livelihood development. A set of statements was given to assess their level of agreement using a 5-point Likert scale, where 1 = strongly disagree and 5 = strongly agree. The scale ranges were defined as follows: 1–1.8 (strongly disagree), 1.81–2.6 (disagree), 2.61–3.4 (neutral), 3.41–4.2 (agree), and 4.21–5 (strongly agree). Data were analyzed using measures of central tendency, with results reported in terms of mean and standard deviation. The findings are presented in Table 4.

The findings presented in Table 4 show generally high levels of agreement among youth regarding the positive influence of microfinance services on various aspects of their livelihood development. Respondents agreed that access to microfinance has contributed to increased income (Mean = 3.74, SD = 1.30) and business growth or stabilization (Mean = 3.66, SD = 1.26). Youth also reported that engagement with microfinance institutions improved their financial and entrepreneurial skills (Mean = 3.72, SD = 1.22) and supported the acquisition of business assets (Mean = 3.51, SD = 1.29). These findings align with Onyango and Wafula's (2018) study in Kitui County, which established that microfinance services significantly enabled the growth of youth-owned MSMEs, though access was often constrained by lack of collateral and credit history.

Additionally, many respondents reported that microfinance access contributed to economic self-reliance (Mean = 3.69, SD = 1.18) and livelihood sustainability (Mean = 3.62, SD = 1.20). They also believed that microfinance directly improves youth livelihood development (Mean = 3.70, SD = 1.25) and supports job creation and entrepreneurship (Mean = 3.68, SD = 1.24). These responses are supported by Wilo (2023) analysis of FinAccess data, which showed that youth with access to formal microfinance services experienced better business outcomes and improved financial well-being.

Further, respondents agreed that financial literacy and training linked to microfinance access enhances youth financial management (Mean = 3.75, SD = 1.21), while savings services help promote

income stability and asset accumulation (Mean = 3.60, SD = 1.19).

Table 4: Descriptive statistics for Livelihood development

Statement	N	Minimum	Maximum	Mean	Std. Deviation
Access to MFI services has helped me increase my income	287	1.00	5.00	3.74	1.30
Financial support from MFIs has helped me grow or stabilize my business	287	1.00	5.00	3.66	1.26
My engagement with MFIs has improved my financial and entrepreneurial skills	287	1.00	5.00	3.72	1.22
I have acquired business assets through financial services accessed	287	1.00	5.00	3.51	1.29
Microfinance access has made me more economically self-reliant	287	1.00	5.00	3.69	1.18
The financial services I accessed have helped me sustain my livelihood over time	287	1.00	5.00	3.62	1.20
Access to microfinance services significantly improves youth livelihood development	287	1.00	5.00	3.70	1.25
Credit facilities from MFIs contribute to youth entrepreneurship and job creation	287	1.00	5.00	3.68	1.24
Training and financial literacy linked to microfinance access enhances youth financial management	287	1.00	5.00	3.75	1.21
Savings services promote asset accumulation and income stability	287	1.00	5.00	3.60	1.19
Barriers in microfinance access limit potential livelihood outcomes	287	1.00	5.00	3.45	1.28
Access to microfinance is positively correlated with self-reliance and reduced vulnerability	287	1.00	5.00	3.67	1.20

Source: *Research Data, (2022)*

These findings echo the work of Muhati and Bosire (2023), who found that financial literacy in budgeting, bookkeeping, and debt management played a critical role in credit uptake and enterprise performance among youth in Machakos.However, respondents also acknowledged the challenges, with a moderate agreement that barriers in accessing microfinance limit livelihood outcomes (Mean = 3.45, SD = 1.28). This is consistent with Bikketi et al. (2023), who identified limited financial knowledge, irregular incomes, and stringent loan requirements as systemic constraints to youth financial inclusion in low-income settings. Similaly, Muhati and Bosire (2023) found that financial literacy in budgeting and debt management accounted for over 75% of the variance in credit uptake among youth enterprises in Machakos. Moreover,

Wachira, Kihara and Okech (2023) reported that use of digital loans when informed by financial awareness enhanced youth business performance in Kibera. The current study supports these conclusions, showing that youth who are aware of financial tools are more likely to translate access to finance into tangible improvements in their livelihoods.

To further support understanding of how microfinance services influence youth livelihood development, the study engaged key informants from both government departments and licensed microfinance institutions operating in Nairobi County. Respondents included sub-county youth officers, national officials from the Ministry of Public Service, Youth and Gender Affairs, Ministry of Cooperatives, Ministry of Industrialization, and credit officers actively working with youth clients.

A youth officer in Embakasi Sub-County highlighted the impact of microfinance access on youth livelihoods: *"Many youth who've managed to access loans have started or expanded their businesses. Some now run small shops or boda boda services. These are visible transformations, but only for those who actually get the funds and know how to use them well"* (Youth Officer, Department of Youth Affairs, Embakasi Sub-County, 27 Jan 2022).

A national official from the Ministry of Public Service, Youth and Gender Affairs explained that financial support through both government and MFI programs had boosted self-employment: *"We've seen youth use microfinance to open salons, retail kiosks, and farming projects. It may not always be large-scale, but it gives them daily income and builds resilience. However, success depends heavily on how prepared and committed they are"* (Ministry of Public Service, Youth and Gender Affairs, Nairobi, 28 Jan 2022).

From the Ministry of Cooperatives, one official pointed out that while credit access has generated business activity, sustainability remains uneven: *"Some youth do well when they get loans especially those with prior training or group support. Others default because they weren't ready or lacked proper planning. Microfinance has potential, but it must be paired with capacity building"* (Ministry of Cooperatives, Nairobi, 28 Jan 2022).

A Ministry of Industrialization official emphasized that the greatest impact is seen when microcredit is combined with technical training: *"When youth go through industrial training and also get access to capital, they're more likely to succeed. We've seen this with youth in tailoring and light manufacturing. They can invest in tools and raw materials. But for untrained youth, the money is often misused"* (Ministry of Industrialization, Nairobi, 29 Jan 2022).

Credit officers shared similar observations. One MFI loan officer noted that: *"We fund businesses in retail, agribusiness, transport, and even small manufacturing. Youth in these sectors have used loans to expand, restock, or buy tools. Where they succeed, we notice increased repayment and requests for repeat loans"* (Credit Officer, MFI Nairobi Branch, 30 Jan 2022).

Another officer explained that: *"Microcredit has helped youth grow small businesses and reduce dependence on informal jobs. But financial literacy plays a big role those who understand budgeting and have realistic plans benefit most. Others misuse loans or treat them as grants"* (Credit Officer, Youth-Focused MFI, 30 Jan 2022).

Descriptive statistics on youth awareness on MFI services

The study sought to establish youth awareness on MFI services. A set of statements was given to assess their level

of agreement using a 5-point Likert scale, where 1 = strongly disagree and 5 = strongly agree. The scale ranges were defined as follows: 1–1.8 (strongly disagree), 1.81–2.6 (disagree), 2.61–3.4 (neutral), 3.41–4.2 (agree), and 4.21–5 (strongly agree). Data were analyzed using measures of central tendency, with results reported in terms of mean and standard deviation. The findings are presented in Table 4.

Table 5: Descriptive statistics for youth Awareness on Microfinance Services in Nairobi County

Statement	N	Minimum	Maximum	Mean	Std. Deviation
MFIs offer loans to clients including youth	287	1.00	5.00	3.83	1.26
MFIs are run like any other bank	287	1.00	5.00	1.97	1.04
MFIs are only for those people who have money	287	1.00	5.00	1.70	0.96
I don't know anything about MFIs	255	1.00	5.00	1.92	1.11
I am aware of sources of microfinance existing in Nairobi County	287	1.00	5.00	3.64	1.29
I am aware of terms and conditions required to get credit from MFIs	287	1.00	5.00	3.91	1.14
Microfinance institutions are readily available in Nairobi County	287	1.00	5.00	3.95	1.31
Youth have the necessary documents and requirements needed to access credit	287	1.00	5.00	2.31	1.61
Most youth can afford to borrow and repay credit from MFIs	287	1.00	5.00	1.48	0.78
I am aware of the types of financial products offered by MFIs	287	1.00	5.00	3.76	1.19
I understand the steps and requirements needed to access services from MFIs	287	1.00	5.00	3.65	1.25
I have received information about MFI services through official sources	287	1.00	5.00	3.42	1.28
I know the eligibility criteria for youth to qualify for microfinance support	287	1.00	5.00	3.68	1.23
I am informed about interest rates, repayment periods, and other charges related to MFI loans	287	1.00	5.00	3.58	1.17
The process of applying for microfinance services is clear to me	287	1.00	5.00	3.49	1.34
I frequently come across information related to microfinance services relevant to youth	287	1.00	5.00	3.37	1.21

Source: *Research Data, (2022)*

According to the findings presented in Table 5, majority of youth agreed that MFIs offer loans to clients, including youth (M = 3.83, SD = 1.26). They

also reported strong awareness of available sources of microfinance in Nairobi County (M = 3.64, SD = 1.29), and were knowledgeable about the terms and conditions required to obtain credit (M = 3.91, SD = 1.14). Respondents agreed that MFIs are readily available in their localities (M = 3.95, SD = 1.31). Similarly, many expressed familiarity with the types of financial products offered (M = 3.76, SD = 1.19), the steps required to access services (M = 3.65, SD = 1.25), and eligibility criteria for youth to qualify for loans (M = 3.68, SD = 1.23). However, awareness was lower regarding interest rates and other charges (M = 3.58, SD = 1.17), clarity of the loan application process (M = 3.49, SD = 1.34), and frequency of exposure to MFI-related information (M = 3.37, SD = 1.21).

Further, few respondents believed MFIs operate like commercial banks (M = 1.97, SD = 1.04), or that they serve only the wealthy (M = 1.70, SD = 0.96). A small portion admitted having no knowledge of MFIs (M = 1.92, SD = 1.11). Most disagreed that youth possess the necessary documents to qualify for loans (M = 2.31, SD = 1.61), and even fewer believed that most youth can afford to borrow and repay credit from MFIs (M = 1.48, SD = 0.78).

These findings indicate moderate to high awareness of microfinance services among Nairobi youth, particularly regarding service availability, eligibility, and credit conditions. This is consistent with Lubanga (2016), who found that financially literate rural youth in Kimilili had stronger credit access and savings behaviors. Similarly, Wilo (2023), using FinAccess 2021 data, linked youth financial inclusion to education and awareness levels. However, the Nairobi data also reflect persistent barriers. Many youth lack documentation, stable income, or clear understanding of loan costs. These challenges mirror the findings of Bikketi et al. (2023), who identified irregular earnings and limited knowledge as key constraints for youth in the informal sector.

Furthermore, while youth may be aware of available financial products, structural barriers continue to limit their practical access. Onyango and Wafula (2018) found that in Kitui, youth understanding of financial services often failed to translate into uptake due to lack of collateral and rigid loan terms. Similarly, Muuo et al. (2025) emphasized that without inclusive service design particularly for youth with disabilities awareness alone does not lead to financial empowerment.

Despite these positive outcomes, challenges such as low exposure to official information channels and low affordability remain evident. Ngandi (2024) and Wathome (2020) both found that while digital savings platforms support economic advancement, digital loans often lead to debt when users lack financial literacy. This emphazizing the need for targeted financial education that emphasizes not just access, but responsible usage of credit. Finally, Muuo et al. (2025) highlight that inclusion strategies must consider vulnerable groups, such as youth with disabilities, whose access remains limited without tailored awareness and accessible financial solutions.

To complement and enrich the quantitative findings, the study incorporated qualitative interviews with selected key informants from government agencies and registered microfinance institutions in Nairobi County. These included officials from the Department of Youth Affairs (one from each of the 17 sub-counties), and national representatives from the Ministry of Public Service, Youth and Gender Affairs, Ministry of Cooperatives, and Ministry of Industrialization, as well as credit officers from licensed microfinance institutions.

A Sub-County Youth Officer in Dagoretti emphasized this disparity,

explaining that *"from my experience, awareness among youth varies widely. Urban youth are generally more informed about microfinance opportunities, especially those who are part of youth groups or exposed to digital platforms. However, many still lack in-depth knowledge of how these services work or how to access them effectively"* (Youth officer, Department of Youth Affairs, Dagoretti Sub-County, 27 Jan 2022).

A national official from the Ministry of Public Service, Youth and Gender Affairs echoed these sentiments, noting that *"youth awareness has improved due to national programs like the Uwezo Fund and Youth Enterprise Development Fund (YEDF), but we still see gaps particularly around understanding terms, eligibility, and repayment requirements. Many youths have heard about microfinance, but they don't fully grasp the application procedures or the financial literacy needed to use these services wisely"* (Ministry of Public Service, Youth and Gender Affairs, Nairobi, 28 Jan 2022).

Similar views were shared by a representative from the Ministry of Cooperatives, who stated that *"we have noticed that youth are more familiar with SACCOs and mobile lending platforms than with formal MFIs. Many don't distinguish between types of institutions or know what services are most suitable for their livelihood needs. Their awareness tends to be surface-level based on hearsay or social media not structured financial education"* (Ministry of Cooperatives, Nairobi, 28 Jan 2022).

An official from the Ministry of Industrialization highlighted partial gains in awareness through entrepreneurship training but cautioned that most youth still misunderstand the broader offerings of MFIs: *"there is growing awareness, particularly among youth involved in entrepreneurship training programs. However, we still encounter challenges when it comes to youth understanding the full benefits and risks of credit services. Most youth equate microfinance with quick loans and are unaware of long-term development products like business development loans or asset financing"* (Ministry of Industrialization, Nairobi, 29 Jan 2022).

A credit officer at a Nairobi-based microfinance institution confirmed this by pointing out that *"generally, we find that only a portion of the youth clientele have adequate awareness of the financial products we offer. While some come in with a clear plan and understanding, others need detailed explanation even for basic terms. Awareness is improving, but many youth rely on peer information or informal channels, which sometimes leads to unrealistic expectations"* (Credit Officer, MFI Nairobi Branch, 30 Jan 2022).

This was reinforced by a Youth Officer in Embakasi, who lamented low attendance at sensitization forums: *"awareness is improving, but it's not enough. We've held sensitization forums, but many youth still don't attend. Some assume microfinance is only for established businesses, not for startups. Others don't believe they qualify, so they don't even try. Awareness needs to go beyond publicity it must include mentorship and guidance"* (Youth Officer, Embakasi Sub-County, 27 Jan 2022).

Lastly, a Youth Officer from Westlands observed that *"many youth hear about loans but don't understand how the entire process works. There's also a lot of misinformation about interest rates and requirements. As a result, some fear taking loans altogether. We need more structured outreach, especially using platforms youth already engage with—like social media and local community centers"* (Youth Officer, Westlands Sub-County, 26 Jan 2022).

A Faulu Microfinance credit officer reported that MFIs regularly conduct

financial literacy seminars for youth groups under various CBOs. These training sessions focus on improving money management skills and financial awareness among participants. *"We frequently and periodically conduct seminars on financial management to development groups under different CBO umbrella."* (Credit Officer Faulu Microfinance, 26th Jan, 2022).

Reliability

Reliability refers to the consistency, stability, and dependability of a research instrument in measuring what it is intended to measure across time and different conditions. It indicates the extent to which the same results would be obtained if the instrument were applied repeatedly to the same population under similar circumstances (Kothari, 2004). A reliable instrument reduces measurement errors and enhances the credibility of findings by yielding consistent data. Cronbach's Alpha provides a measure of internal consistency of a test or scale, where internal consistency is described as the extent to which all the items in a test measure the same construct. Therefore, it connects to the inter-relatedness of the items within the test and it is expressed as a number between 0 and 1 (Tavakol & Dennick, 2011). The findings are presented in Table 5 below.

Table 5: Reliability Results

Variables	Cronbach's alpha	No. of Items
Youth awareness	.892	16
Livelihood Development	.885	12

Source: *Research Data (2022)*

The youth awareness section, which contained 16 items, produced a Cronbach's Alpha of 0.892, indicating excellent internal consistency. Similarly, the livelihood development section, which included 12 items, yielded a Cronbach's Alpha of 0.885, indicating high reliability. According to Leech, Barrett and Morgan, (2014), a Cronbach's Alpha value of 0.6 to 0.7 is considered acceptable for exploratory research, while values above 0.8 indicate high reliability and internal consistency.

Reliability

The study assessed sampling adequacy to confirm the suitability of data for factor analysis focusing on youth awareness of microfinance services. Two standard tests were used: the Kaiser-Meyer-Olkin (KMO) Measure and Bartlett's Test of Sphericity.

The KMO value for the awareness scale was 0.733, indicating good sampling adequacy. According to Jani, Razali, Ismail and Ismawi (2023), values above 0.70 suggest that factor analysis is appropriate. Bartlett's Test produced a Chi-square value of 928.302 with 91 degrees of freedom and a significance level of $p < 0.001$, confirming that the correlation matrix was not an identity matrix. This implies that there were sufficient interrelationships among variables to justify further multivariate analysis.

These results in Table 6 confirmed the dataset was statistically sound for conducting factor analysis and other advanced techniques, strengthening the credibility of findings on how microfinance awareness influences youth access to financial services.

Table 6: KMO and Bartlett's Test

Scale	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	Bartlett's Test of Sphericity		
		Approx. Chi-Square	df	Sig.
Awareness of MFI services	.733	928.302	91	.000

Source: *Research Data, (2022)*

Correlation Analysis

Pearson's correlation coefficient, denoted as r, measures the strength and direction of a linear relationship between two continuous variables. It quantifies how changes in one variable are associated with changes in another. The value of r ranges from –1 to +1. A value of +1 indicates a perfect positive linear relationship, meaning both variables increase together. A value of –1 reflects a perfect negative linear relationship, where one variable increases as the other decreases. A value of 0 means no linear relationship exists between the variables (Cohen et al., 2013). Coefficients between ±0.10 and ±0.29 suggest a very weak linear relationship, ±0.30 to ±0.49 indicate a weak relationship, ±0.50 to ±0.69 denote a moderate relationship, ±0.70 to ±0.89 reflect a strong relationship, and values above ±0.90 suggest a very strong linear relationship ().

A positive correlation implies that as one variable increases, so does the other; a negative correlation indicates that as one variable increases, the other decreases.

The study sought to establish the relationship between key microfinance-related factors and youth livelihood development using Pearson correlation analysis. The correlation coefficients presented in the table reflect both the strength and direction of the relationships, along with their statistical significance. Results are presented in Table 7.

Table 7: Correlation Analysis

		YLD	AMS
Youth Livelihood Development (YLD)	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	287	
Awareness of Microfinance Services (AMS)	Pearson Correlation	.659*	1
	Sig. (2-tailed)	0.035	
	N	287	249

Source: *Research Data, (2022)*

The results show a moderately strong positive relationship between Awareness of Microfinance Services and Youth Livelihood Development ($r = .659$, $p < 0.05$). This suggests that as youth become more informed about financial products and services, their ability to access resources for income-generating activities improves. Gachuru and Mwirigi (2014) similarly observed in a Nairobi-based study that awareness and knowledge of microfinance offerings significantly influenced youth uptake of loans and enterprise development. Similar patterns were observed in a study by Kinyanjui and Kimani (2016), which found that equipping Kenyan youth with relevant skills through Technical and Vocational Education and Training (TVET) programs led to improved

entrepreneurial performance and job creation in Nairobi and Nakuru counties.

Hypothesis Testing

The hypothesis of the study stated that youth awareness of financial services offered by microfinance institutions has no significant effect on livelihood development in Nairobi County.

Results in Table 9 show that youth awareness of MFI services had a statistically significant positive effect on livelihood development (β = 0.522, $t = 6.29$, $p < 0.05$). This means that higher awareness of microfinance products, procedures, and conditions is associated with greater improvements in youth livelihood outcomes such as income, business growth, and economic self-reliance.

Table 9: Regression Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		β	Std. Error	Beta		
1	(Constant)	11.992	2.467		4.86	.000
	Awareness of MFI services	.522	.083	.416	6.29	.006
a. Dependent Variable: Youth Livelihood Development						

Source: *Research Data, (2022)*

These findings align with prior Kenyan research. Lubanga (2016), in a study of rural youth in Kimilili, found that financially literate youth accessed more credit and exhibited improved saving and business practices. Similarly, Muhati and Bosire (2023) observed that awareness and financial skills among youth in Machakos significantly influenced their ability to utilize loans effectively, leading to better financial performance. Wilo (2023), using FinAccess 2021 data, also reported that financial inclusion correlates strongly with awareness, education, and access to reliable information. Similarly, Wambui and Njeru (2020) found that targeted awareness campaigns increased loan uptake among youth in informal settlements by over 40% within a one-year period. They concluded that exposure to financial education, advertisements, and peer information significantly increased confidence in approaching MFIs.

Njiru and Bula (2018) also found a strong positive relationship between financial literacy and loan accessibility among youth in Embakasi, emphasizing that many young people avoid formal credit not because of unwillingness, but due to lack of information. The implication is that youth who understand where to find microfinance services, how to qualify, and how to navigate credit terms are better positioned to use these services to advance their livelihoods. On the other hand, low awareness may lead to underutilization or misuse of available financial opportunities.

Conclusion

This study provides compelling evidence that youth awareness of microfinance services significantly and positively influences their livelihood development in Nairobi County. The descriptive statistics consistently show that youth generally agree that access to Microfinance Institutions (MFIs) has enhanced their income, supported business growth, improved financial and entrepreneurial skills, facilitated asset acquisition, and fostered economic self-reliance. This strong positive sentiment is further reinforced by the finding that awareness of MFI services is moderately to strongly

correlated with livelihood development. The regression analysis confirms this relationship, showing that youth awareness of MFI services has a statistically significant positive effect on livelihood development. This indicates that the more informed youth are about microfinance products, procedures, and conditions, the greater their improvements in livelihood outcomes. Qualitative data from key informants further highlighted that while awareness has improved, it often remains superficial, failing to translate into a deep understanding of terms, eligibility, or the full spectrum of development-oriented products. Structural barriers, such as the need for collateral and rigid loan terms, continue to limit practical access even when awareness exists.

Recommendations

Based on the findings of this study, the following recommendations are put forth for policy, practice, research, and theory to enhance the impact of youth awareness of microfinance services on livelihood development in Kenya:

Policy Recommendations

1. The Ministry of Public Service, Youth and Gender Affairs, in collaboration with the Central Bank of Kenya and the Ministry of Education, should develop and implement a national financial literacy curriculum tailored for youth. This framework should be integrated into formal education (e.g., TVET institutions) and informal youth programs. It should move beyond basic awareness to include practical skills in budgeting, bookkeeping, debt management, understanding interest rates, and loan terms.
2. Policymakers should create regulatory incentives for MFIs to design more flexible and inclusive financial products that specifically address the unique needs and challenges of youth, such as lower collateral requirements, flexible repayment schedules for nascent businesses, and smaller initial loan sizes that can scale up.
3. Government agencies and financial regulators should collaborate to establish easily accessible, centralized, and reliable digital and physical information hubs where youth can get accurate, unbiased information about all registered MFIs, their products, eligibility criteria, and transparent terms and conditions. This would combat misinformation from informal sources.
4. Given the promise of digital finance, policies should focus on bridging the digital divide for rural youth and those with disabilities, ensuring accessible digital infrastructure and promoting user-friendly, inclusive digital financial services that cater to diverse needs.

Practice Recommendations

1. MFIs and youth-focused organizations should move beyond general awareness campaigns to implement practical, hands-on financial education programs. These programs should include mentorship, business development training, and simulations of loan applications and repayment processes. The training should be delivered through channels preferred by youth, such as social media, mobile platforms, and community centers, as suggested by the qualitative data.

2. MFIs should actively partner with established youth groups, CBOs, and vocational training institutions (like Kibaha VET College in Tanzania, as per Mbunda & Kajembe, 2024) to deliver customized financial literacy seminars and facilitate easier access to services. This collaborative approach can build trust and leverage existing youth networks.
3. MFIs should review and simplify their loan application processes, making them less intimidating and more accessible for young entrepreneurs who may lack extensive documentation or credit history. This could include piloting alternative credit scoring methods.
4. Beyond just providing credit, MFIs should consider integrating non-financial services such as business advisory, mentorship, and market linkages to ensure youth can effectively utilize financial support for sustainable livelihood development, rather than just short-term gains.

Research Recommendations

1. Researchers should continue to disaggregate data by gender, disability status, urban/rural divide, and income levels to identify specific challenges and opportunities for diverse youth segments, as highlighted by FSD Kenya and Muuo et al. (2025).
2. Further research is needed to evaluate the effectiveness of various awareness channels (e.g., social media, traditional media, peer-to-peer, formal training) in translating awareness into actual MFI engagement and positive livelihood outcomes.

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