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Effect Of Financial Literacy On Investment Decisions Among Digital Customers Of Microfinance Banks In Nairobi Kenya

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Abstract
In the developing nations, low-income individuals often lack access to regular income streams to cope with unforeseen events. Microfinance banks exist to provide low-income individuals with alternative financial solutions when they are turned away by traditional banks. Nonetheless, accomplishing this existence is made more troublesome or unimaginable due to lack of financial literacy. From a population of approximately 50 million individuals, only 38% of Kenyans are financially literate according to the Global Financial Literacy Survey report (2021). The poll further shows financial literacy levels of other nations. For example, Uganda's rate was 34%, while Tanzania and South Africa were rated at 40% and 42% accordingly. Moreover, it is worth noting that Kenya Vision 2030 (2008), outlined the desire for the country to achieve an 80% financial literacy level by the end of year 2012. These statistics demonstrate that people are ill-prepared to deal with the changes taking place in the field of finance. The research explored the effect of financial literacy on investment decisions among digital customers of microfinance banks in Nairobi, Kenya. The expected utility hypothesis, the hypothesis of planned behaviour, and the dual process hypothesis guided as the establishment for this examination. The outcome of the research revealed that there was a positive and significant relationship between financial behaviour and investment choices made by digital customers of microfinance banks. Financial knowledge and investment decisions were found to have a statistically significant and positive effect among microfinance banks digital clients. Lastly, the research revealed a strong and positive link between financial attitude and investment decisions made by digital clients of microfinance banks in Nairobi Kenya. The study recommended that microfinance bank digital customers should be conscious of their personal financial behavioral and take necessary measures to minimize impact on their investment decisions.

Keywords: *Financial Literacy, Financial Behaviour, Financial Knowledge, Financial Attitude, Digital Customers, Investment Decisions, and Microfinance Bank.*

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I. Introduction

The need for financial literacy is vital when it comes to making investment decisions especially in light of the intricacies and continuous innovations in the financial services industry. People who possess a strong grasp of monetary connections and concepts are more equipped to safeguard their economic security in modern society and traverse the financial environment with certainty (Lusardi, 2019). According to Mora et.al., (2020) recent advancements in technology have enabled digital customers to easily obtain financial services remotely. Central Bank of Kenya as of March 2024 had approved a total of 51 entities to offer financial solutions in the digital space in collaboration with other regulatory authorities such as Office of the Data Protection Commissioner (CBK, 2024). According to the Financial Sector Deepening (FSD) Kenya report (2008), in order to promote financial literacy in a community there is need to revamp the formal education system, raise financial awareness through the media, host financial forums and enact relevant financial laws and regulations. Buoyed by the benefits of financial education, Kenya is now implementing based on skills curriculum known as Competency-based Curriculum (CBC), which aims to nurture leaners talents and capabilities. As indicated by Adams et al. (2016), Kenya ought to focus on financial education, financial inclusion, and cooperation among public and private financial sectors to line up with the Sustainable Development Goals (SDGs). Kenya Vision 2030 (2008) outlined the desire to achieve financial literacy of 80% by the end of the year 2012. Thus, microfinance banks (MFBs) and other financial institutions may significantly reduce the rate of financial illiteracy by providing their digital customers with the information they require to make investment decisions.

Financial literacy programs have a lot to offer societies and nations. Wachira and Kihui (2012) claim that wealthy nations with high levels of financial literacy are better equipped to make wise financial decisions on matters such as managing debt and lowering poverty rates. Wachira further noted those who are financially literate are less vulnerable to financials scams and are better suited to managing their money. To build wealth and navigate the world of financial goods and services one needs to be financially literate especially in the face of ongoing innovations where markets are expanding (Dwiastanti, 2015). According to Arif et al., (2015) advanced financial training which drives a more prominent understanding of finances could empower individuals to make well-informed decisions regarding their finances and investments. Kumari (2020) argued that when an individual's financial knowledge is advanced, they are anticipated to become more financially literate. Mugo (2016) stated that financial behavior, financial attitude, financial awareness, and financial knowledge are all included in the concept of financial literacy and when applied all together these components enhance overall financial literacy, ability to make decisions, and build a sense of financial control. The Microfinance Act (2006) governs microfinance banks in Kenya and specifies, among other things, the procedures for registering microfinance banks (Omino, 2005). As of the end of December 2023, there were a total of fourteen (14) licensed microfinance banks, out of the three (3) had community license, while eleven (11) had nationwide license (Musiega & Nelima, 2023). These institutions exist to bridge the financial gap through financial inclusion among disadvantaged groups, small business owners, and low-income earners who are excluded from mainstream banks (Chepkorom, 2013).

Hodge (2003) asserts that, among countless other significant choices one must make in life, choosing an investment is one of the most important. The guiding idea of personal investment decisions is that people should allocate their limited funds among several investments available. Given the variety of financial instruments accessible for investment, it is crucial that consumers understand how currency functions so as to handle their finances with flexibility. Hodge went on to say that the following are the primary motives why individuals make investments. The initial motive is to buy assets; the subsequent is to get a return. In order to make well-informed investment options, individuals need to assess the value of any opportunity or project, considering variables including the size, timing, and reliability of subsequent revenue (Hodge, 2003). Feelings, individual encounters, and beliefs are a couple of examples that have an impact on investment decisions.

According to Lewis and Messy (2012), a wide range of variables, such as an individual's age, tax situation, tolerance for risks, and financial state, affect investment decisions. At times, financial promoters might act in astonishing, unwise, or irrational ways (Abideen et al., 2023). Musundi (2014), asserts that knowledge about money is a must for one to make wise investment decisions and therefore households with limited financial literacy frequently rely on simplified rule of thumb when making investment and savings decisions. Making choices concerning investments includes deciding how, when, and in which location to deploy the resources needed for various investment options for people or organizations. Financial literacy is essential when it comes to investment decisions, which are made with the goal of generating a suitable return while applying basic and mathematical approaches. Individuals ought to be versatile in managing their financial matters considering the wide range of financial products available for investment (Kumari, 2020). According to Xue et.al., (2020) financial literacy provides individuals with the expertise to engage in economic activities that enhance their financial well-being. Kaur et al., (2013) also noted that financial literacy is a necessary life ability for individuals to make wise informed investment decisions. Digital customers require informed investment decisions on various investment opportunities such as ordinary and fixed savings, mutual funds, treasury bills and bonds, commercial papers, stocks among others.

Problem Statement

In recent years, there has been an increased focus on financial literacy due to the growing complexity of financial markets, making it challenging to make informed investment decisions. Lack of financial literacy may expose individuals to risks as they might fail to take essential financial precautions when making investment choices. A considerable number of microfinance digital customers can now access financial services, thanks to the rapid expansion of Microfinance Banks (MFBs) in Kenya. Despite the growth, a sizable portion of MFBs digital clients continue to make poor investment choices due to lack of financial literacy. To achieve higher financial literacy levels there is need to promote financial inclusion especially in developing nations such as Kenya. Central Bank of Kenya on gradual basis has approved a total of 51 entities to offer financial solutions in the digital space in collaboration with other regulatory authorities, including the Office of the Data Protection Commissioner. With these continuous advancements in the financial sector microfinance banks digital customers are now able to access financial services remotely.

Despite the widespread belief that financial literacy affects investing decisions, there is inconsistency in various research that has been done to examine the link (Kumari, 2020). According to Willis (2010), there isn't much data to back up the idea that financial literacy programs increase participants' understanding of money. Willis argued that financial literacy initiatives are flawed since they cannot hold pace with the continues advancement in the financial sector as well as vast diversity of financial products and services. His study concluded that the demerits of financial education are more than the merits. This finding overlooked the fact that financial education reduces the likelihood of being deceived or misinformed about financial products and services and also empowers people to make sound investment decisions. Another study conducted by Arif (2015) found a negative correlation between financial literacy and investment choices. The fact that Arif research ignores the complete range of an individual's financial behavior, attitudes, and knowledge is a limitation. Atakora (2013), study revealed no correlation between financial literacy and investment decisions, suggesting that variables such as age, expertise, exposure among others influence decisions about investments. Given the conceptual gaps identified above the study sought to contribute to prior research by examining the effect of financial literacy on investment decisions made by digital customers of microfinance banks in Nairobi Kenya.

Objectives of the Study

The general objective was to examine the effect of financial literacy on investment decisions among digital customers of microfinance banks in Nairobi, Kenya. The specific objectives of the study were;

1) To ascertain the effect of financial attitude on investment choices of microfinance banks digital customers in Nairobi, Kenya.
2) To establish the effect of financial knowledge on investment choices of microfinance banks digital customers in Nairobi, Kenya.
3) To determine the effect of financial behaviour on investment choices of microfinance banks digital customers in Nairobi, Kenya.

II. Theoretical Review

The study's guiding hypotheses include the expected utility, the dual process, as well as planned behavior theories.

Planned Behaviour Theory

The theory of planned behaviour was introduced by Ajzen (1987). In order to understand and predict human behavior, planned behavior theory considers the impact of mindsets, personal conventions, and perceived behavioral patterns. When the idea is applied to financial behaviour, the theory suggests that individuals' financial decisions and actions are influenced by their behaviour towards money, their societal rules, and their perception of control over their financial situations. Rachbini (2018), discovered that behaviour plays a vital and positive role in their study on the relationship of attitude, subjective norm, and perceived behavioral control on halal food purchasing behavior in Jakarta. Another study done by Metawie et. al., (2018) on the predictors of investors participation in the Egyptian stock market found that subjective norms play crucial role in regard to individuals' financial decision making. Planned behaviour theory strengths lie in its incorporation of social influence which aids to understand how behaviour of individuals change. On the other hand, the theory fails to consider additional factors that influence behavioral intention and motivation such as past experience, mood, fear, or threat. In additional the theory overlooks the environmental and economic aspects that could impact an individual's intention to engage in certain behaviour. Because MFBs customers often demonstrate a willingness to act depending on their behavior, this theory is relevant to the current investigation.

Dual Process Theory

The theory was introduced by William James (1990), who argued that both intuitive and cognitive processes have an impact on decision-making processes. To put it in another way, there are two systems for processing information: System one and System two. System two is deliberate and reflective, which makes it essential for making logical decisions, while system one is intuition and automatic. In financial knowledge, dual process theory has gained popularity. It has been used to show how system one is biased (Bellini, 2022). In a study on risk-averse decision-making, Reyna et al (2015) discovered that system two may effectively influence and improve decision-making. Kapoor and Khan (2017) observed that an engaged methodology is fundamental while assessing and examining monetary or monetary challenges.

According to Berthet (2022), research on attribute substitution in intuitive judgment, the majority of common solutions involving financial consequences are influenced by financial knowledge based on intuition and feelings. However, these solutions also require a methodical approach that is based on analysis and logic. This hypothesis is important since it might be utilized to describe the connection between intuitive and deliberate thinking. Grasping these two types of reasoning offers insight that can enhance better decision making, for example, the ability to calculate cost of funds, return on investment among others. The limitation of this theory is that it may not effectively factor in cultural variations and emotional that influence decision making. This research will evaluate if financial knowledge affects investment decisions by applying the dual process theory hence the theory is relevant to this study.

Excepted Utility Theory

The theory was introduced by Neumann and Morgenstern in 1944. The hypotheses urge that people evaluate and compare options based on their expected utility when making investment decisions. For instance, individuals tend to favor investments that maximize their expected utility. Expected utility theory explains how people choose between hazardous opportunities according to their attitude (Briggs, 2014). Merton et al. (1992) conducted a study on Labor supply flexibility and portfolio choice in a life cycle model and found that stable utility functions can assist investors understand preferences about risk and returns. The benefit of this theory is that it can handle complex and dynamic decisions, where the outcomes depend on multiple considerations and events that are uncertain and correlated. It also helps identify and correct cognitive biases, which are systematic errors in judgment that affect how people perceive and process information.

The weakness of the theory is that it can be difficult to obtain and measure the utility and probability values that are needed to apply expected utility theory. Individuals may also have incomplete or incoherent preferences, meaning they may not be able to rank or compare all possible outcomes. Lastly, criticism has been raised concerning the interpretation of utility numbers and whether they truly represent a consistent value scale for all decision makers, even though the theory assumes that the decision maker possesses complete certainty about the probabilities associated with each outcome. Since the researcher's goal is to investigate how financial attitude affected investment decisions, the theory will be relevant to this study.

III. Conceptual Framework

The conceptual framework shows independent and dependent variables. There are three dimensions to the operationalization of financial literacy: financial attitude, financial knowledge, and financial behavior. In any case, the dependent variable is investment decisions.

Independent Variables

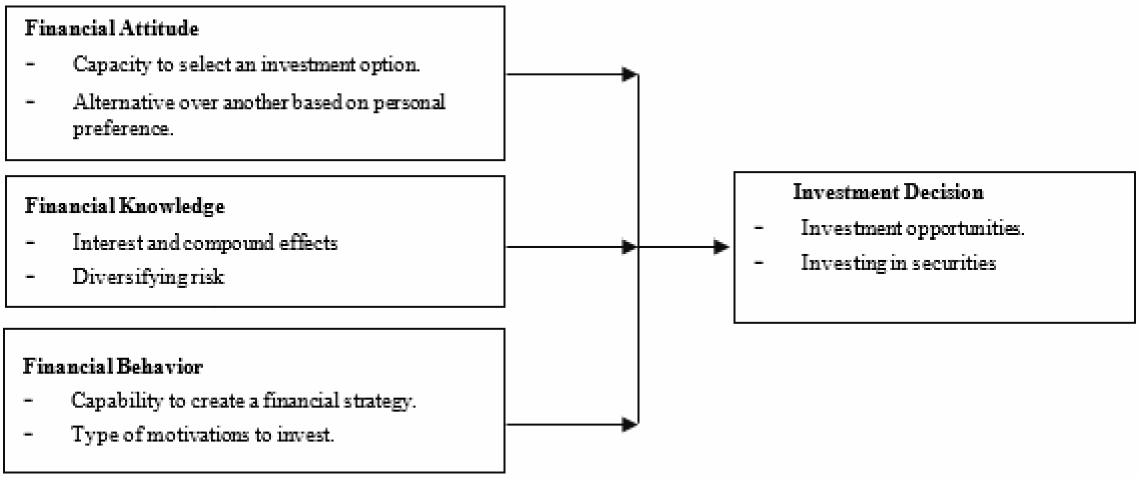

Figure 1. Conceptual Framework
Source: Author, 2024

IV. Research Methodology

Data was gathered from the respondent by use of descriptive research design. The survey's design was deemed acceptable as it enabled the investigator to find out patterns, trends, and correlations to examine the relationships between and among financial literacy on investment decisions among digital customers of microfinance banks in Nairobi, Kenya. The target population in the study constituted 50,413 digital customers from the fourteen (14) regulated microfinance banks in Kenya by Central Bank of Kenya as of December 2023 (CBK, 2023). The required sample size was determined using the formulae presented by (Cochran, 1977). The study employed simple random sampling technique to eliminate research bias hence giving all selected MFBs an equal chance of being selected for the purpose of this study (Berndt, 2020). The study embraced the questionnaire approach to ensure the researchers' meet the intended research objective to specific variables (Mugenda & Mugenda, 2009). To assess internal consistency and reliability Cronbach's Alpha. To address the objectives of the research Statistical Packages for Social Scientists (SPSS) was used to analysis the data obtained through the questionnaire. Both descriptive and inferential statistics were employed to address the research questions. Correlation and regression analysis were the main inferential statistics that will be used to test the study hypothesis.

The research employed multiple regression model to demonstrate the connection between independent and dependent variables as shown below. $Y = \beta 0 + \beta 1X^1 + \beta 2X^2 + \beta 3X^3 + \mu$. In the equation, the y intercept or y-axis when x is 0, is denoted by $\beta 0$, and the coefficients βi (where i ranges from 1 to 3) was used to measure the ratio of variation in the dependent variable on each unit variation in the corresponding independent variable. The error term represented by μ accounted for other factors influencing investment decision that were not factored in the model. Before using the model, diagnostic tests were performed to ensure adherence to regression analysis principles namely, normality test, multicollinearity test and heteroscedasticity test.

V. Results And Findings

The main aim of the research was to examine the "effect of financial literacy on investment decisions among digital customers of microfinance banks in Nairobi, Kenya." The study embraced the questionnaire approach to ensure the researchers' meet the intended research objective. Statistical Packages for Social Scientists (SPSS) was used to analysis the data obtained. Descriptive statistics (mean and standard deviation) were used to provide statistical summaries for each variable under study.

Descriptive statistics

Study Variable	Mean	S.D
Financial Behaviour	2.77	1.39
Financial Knowledge	3.39	1.33
Financial Attitude	2.94	1.30
Investment Decisions	3.34	1.32

Source: Author, 2024

On all the variables the standard deviation (S.D) ranged between 1.39 to 1.30 an indication of non-substantial amount of variability on the responses.

Diagnostic tests

Diagnostic tests used in the study were normality, multicollinearity and heteroskedasticity.

Normality Test

The Shapiro-wilk test was employed to assess normality of the error term. The test employed looked for kurtosis and skewness to assess the degree of data normalcy. Shapiro-wilk statistic ranges between zero to one (0 – 1) where the value greater than 0.05 indicates normal data distribution while the value equal to or below 0.05 shows a significant variation of the statistics from normal distribution.

Test for Normality

Study Variables	Shapiro - Wilk		
	Statistic	Df	Sig.
Financial Behaviour	.363	196	.071
Financial Knowledge	.572	196	.099
Financial Attitude	.347	196	.064
Investment decisions	.503	196	.093

Source: Author, 2024

All the study variables had a p values greater than the threshold value of 0.05, supporting the theory that the data originated from a normally distributed population. i.e. Financial behaviour ($p = 0.071$), Financial Knowledge ($p = 0.099$), Financial attitude ($p = 0.064$), and Investment decisions (0.093)

Linearity Test

The purpose of conducting the linearity test was to assess if the data distribution of both the dependent and independent variables adhered to a linear pattern since linear regression was chosen as the preferred data analytical technique. The figure below shows a linearity graph.

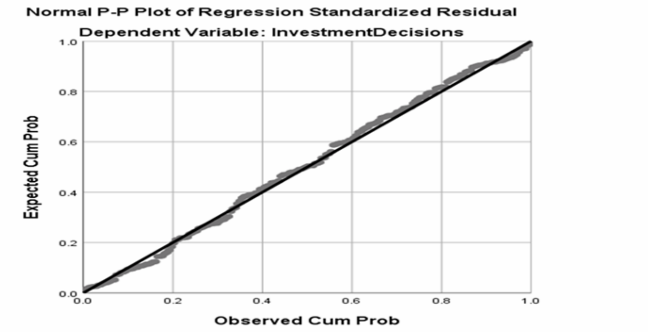

Figure 1. P-P Plot
Source: Author, 2024

The data distribution depicted in figure 2 above exhibits a linear pattern, with the plots uniformly distributed across the diagonal line thus making linear regression suitable for data analysis.

Test for Multicollinearity

The present research employed variance inflation factor (VIF) to assess the presence of multicollinearity. Multicollinearity occurs when two or more independent variables have a relationship. If VIF value is equal or less than 10, then there is no severe multicollinearity existence in the model.

Test for Multicollinearity

Study Variable	Tolerance	VIF
Financial Behaviour	0.257	4.008
Financial Knowledge	0.250	4.134
Financial Attitude	0.266	3.874

Source: Author, 2024

All independent variables had a VIF value of less than maximum threshold of 10, indicating absence of multicollinearity. Financial behaviour (VIF =4.008), Financial Knowledge (VIF =4.134), Financial attitude (VIF= 3.874),

Test for Heteroskedasticity

Heteroscedasticity takes place when the dependent variable varies over the course of the entire dataset. Breusch-pagan/cook-Weisberg test was used to test heteroscedasticity. In the event that the heteroscedasticity test yields statistically significant results at the 0.05 significance level, it indicates unequal variances between groups.

Test for heteroskedasticity

Breusch-Pagan / Cook-Weisberg test for heteroscedasticity	
Chi2(I)	= 0.4134
Prob > chil2	=0.1913

Source: Author, 2024

The test for heteroscedasticity for study variables was insignificant at p-value of 0.1913, given significance level of less or equal to 0.05. Hence there was no presence of heteroscedasticity.

Inferential Results

Correlational Analysis

Correlation analysis enables researchers to study the connection among a set of data. According to Sekaran (2000), correlation analysis functions as a tool for evaluating the path, magnitude, and correlations significance on the data under examination. Correlation coefficient of positive one (+1) signifies positive connection between two variables. On the other hand, correlation coefficient of negative one (-1) indicates negative connection. A correlation coefficient of Zero (0) indicates absence of a linear association between two variables. Pearson correlation was utilized to examine the connection between predictor factors and the effect on investment decisions.

Variable		Investment Decision	Financial Behaviour	Financial Knowledge	Financial Attitude
Investment Decision	Pearson Correlation	1			
	Sig. (2-tailed)				
Financial Behaviour	Pearson	.935**	1		

	Correlation				
	Sig.(2-tailed)	.000			
Financial Knowledge	Pearson Correlation	.982**	.902**	1	
	Sig. (2-tailed)	.000	.000		
Financial Attitude	Pearson Correlation	.976**	.885**	.990**	1
	Sig. (2-tailed)	.000	.000	.000	

Correlation Analysis

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Author, 2024

Results from table above show a strong and significant connection between investment decisions and financial behaviour (r = 0.935, p = 0.000). The p value of 0.000 shows that correlation is statistically significant at 0.01 level. Likewise, there is a strong and significant connection between investment decisions and financial knowledge (r = 0.982, p = 0.000). The p value of 0.000 shows that correlation is statistically significant at 0.01 level. Lastly there is a strong and significant connection between investment decisions and financial attitude (r = 0.976, p = 0.000). The p value of 0.000 shows that correlation is statistically significant at 0.01 level.

Regression Analysis.

The research used multiple regression analysis to examine linear statistical connection between independent and dependent variables. Regression analysis encompasses model summary, regression coefficients and analysis of variance.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.989[a]	.979	.979	0.17903	0.312
a. Predictors: (Constant), Financial Behaviour, Financial Knowledge, Financial Attitude					
b. Dependent Variable: Investment Decisions					

Source: Author, 2024

The model summary above shows financial behavior, financial knowledge, and financial attitude collectively account for approximately 97.9% of the variance in the dependent variable. This leaves 2.1% of the variation to be defined by other factors not factored by the model. The R value of 0.989 which represent the correlation coefficient between the independent and the dependent variable, indicate a positive strong connection between the dependent and the independent variables. This an indication that independent variables when considered together account for a significant percentage of dependent variables variations.

Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	286.109	3	95.370	2975.477	.000[b]
	Residual	6.154	192	.032		
	Total	292.262	195			
a. Dependent Variable: Investment Decisions						
b. Predictors: (Constant), Financial Behaviour, Financial Knowledge, Financial Attitude						

Source: Author, 2024

The sig. value of 0.000 and F value of 2975.477 in table above is evident that regression model taken entirely is statistically significant. This implies that the independent variables (financial behaviour, financial knowledge, and financial attitude) have a significant effect on the dependent variable (investment decisions) and the model offers a more accurate fit.

Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.082	.045		1.838	.068
	Financial Behaviour	.274	.024	.280	11.395	.000
	Financial Knowledge	.402	.082	.403	4.899	.000

	Financial Attitude	.322	.074	.330	4.330	.000
a. Dependent Variable: Investment decisions						

Source: Author, 2024

In order to fit the data into the in the conceptual framework, a regression model was used. The regression equation constant term determined to be 0.082 signifies the foundational level on the effect of financial literacy on investment decisions among digital customers of microfinance banks in Nairobi, County.

The first hypotheses of the study stated that financial behaviour had no significant influence on investment decisions among digital customers of MFBs. Results indicated that there was a positive and significant relationship between financial behaviour and investment decision ($\beta = 0.274$ & p-value = 0.000) given that the p-value is below the significance level of 0.05. The research disproved the null hypothesis because financial behavior acquisition enhances investment choices by 0.274 units while maintaining other factors constant. The results of this study align with the research conducted by Madaan & Singh (2019), which revealed that financial behaviour had a positive influence on investors' decision-making processes in their study on the examination of behavioral biases on investors decision making in India. Ahmed et al., (2023) in their study on whether behavioral biases affect investors' investment decision making in the Pakistani equity market found that market participants often exhibit financial behaviors which adversely affects their investment decisions. According to Almansour et.al.,(2023) financial behaviour had a significant and positive effect on investment decisions hence advisors and legislators to develop measures to mitigate investors behavioral biases. The finding was consistent with Mirosea (2023) research which found that financial behavior had a positive and significant effect on investment decisions.

The second objective hypothesized that financial knowledge had no significant influence on investment decisions among digital customers of MFBs. The research found a substantial positive correlation between financial knowledge and investment choice ($\beta = 0.402$ & p-value = 0.000), with a significance level below 0.05. The analysis disproved the null hypothesis because acquisition of financial knowledge enhances investment choices by 0.402 units while maintaining other factors constant. This research matches Akims et al., (2023) findings on financial literacy, investor awareness, and investing choices. The research demonstrated a positive and significant association between financial knowledge and investment choices, indicating that the ability to perform technical and fundamental analysis empower investors to make educated judgments. Kumari (2020) explored how financial literacy affects investment decisions among Sri Lankan students. The research found that those who struggle to calculate interest rates from a sequence of payments borrow more and invest less. The research concluded financial knowledge positively affects investment choices. In their study on financial literacy: a crucial instrument for informed consumer decisions in the US, Lusardi (2008) found that people who underestimate interest compounding have trouble assessing investment prospects and meeting loan repayments. Yang and Huang (2023) in their research on digital finance and financial literacy among Chinese households found that financial knowledge positively helps individuals to make sound economic and financial decisions. That is lack of financial knowledge can exclude individuals from accessing digital financial services and products. This adds to Mahdzan & Tabiani (2013) finding that financial knowledge enhances better financial decision and planning. According to a study conducted by Mwathi (2017) financial knowledge emerged as a crucial factor in shaping individual investment choices. Inadequate financial knowledge can restrict individual capacity to make informed investment decisions. According to Setiawan et.al., (2016) people with higher levels of financial knowledge tend to exhibit more favorable financial investment decisions. Aminatuzzahra (2014) in his research asserts that there exists a correlation between financial knowledge and investment decisions. This finding is further supported by Putri (2017) which found that individuals with higher financial knowledge tend to make better investment decisions.

The last hypotheses of the research stated that financial attitude had no significant influence on investment decisions among digital customers of MFBs. Results revealed that there was a positive and significant relationship between financial attitude and investment decision ($\beta = 0.322$, & p-value = 0.000). This implies that while holding other variables constant increase in financial attitude increases the influence of investment decision by 0.322 units. The study therefore rejected the null hypothesis. This result is supported by research conducted by Adiputra et. al., (2021) which states that one's financial attitude plays a crucial role in shaping their investment decisions in their study on the influence of financial behavior, financial attitude, and financial knowledge of e-wallet users In Jakarta. This echoes the conclusions drawn by Rajna et.al., (2011) in their study on financial management attitude and practice among the medical practitioners in public and private medical service in Malaysia. The study found that financial attitudes involve applying financial principles to guide financial decisions, including making effective investment decisions that aid in appropriate management of resources. Sapiri (2023) conducted a study on distribution of financial attitude, financial behavior, financial knowledge, and financial proficiency on investment choices of young investors in Indonesia. The study concluded that positive financial attitudes such as budget management and saving habits significantly contribute to making prudent investment decisions. Financial attitude positively impacts individual investment choices (Hasanuh, 2020). According to Minimol and Harikumar (2013) financial attitude positively affects investment decisions in their study on the relationship between financial attitude and financial literacy among investors in Kerala. The study by Pankow (2003) concluded that financial attitude as a state of mindset positively influences financial investment decisions. Shim et.al., (2010) found that financial attitude exerts a significant influence on student financial management behaviour. That is financial attitude plays a vital role in shaping individual investment decisions. The regression model derived from the findings: $Y = 0.082+ 0.274X^1 + 0.402X^2 + 0.322X^3$ Where; Y = Investment Decision, X1 – Financial Behaviour, X2 – Financial Knowledge, X3 – Financial Attitude.

VI. Conclusion

The aim of this research was to investigate effect of financial literacy on investment decisions among digital customers of MFBs in Nairobi, Kenya. Investment decisions was the dependent variable while financial behavior, financial knowledge and financial attitude acted as independent variables of the study.

The study concluded that fostering financial behaviour positively influences investment decisions made by digital customers of MFBs in Nairobi County. Thus, microfinance banks which carry out financial behaviour literacy initiatives are more likely to nurture positive investment choices among their digital customers.

The study concluded that acquisition of financial knowledge positively influences investment choices made by digital customers of MFBs in Nairobi County. Therefore, microfinance banks which carry out financial education programs are more likely to foster positive investment choices among their digital customers.

The study concluded that fostering financial attitude positively influences investment choices made by digital customers of MFBs in Nairobi County. Hence, microfinance banks which carry out financial attitude literacy programs are more likely to cultivate positive investment choices among their digital customers.

VII. Recommendations

Financial behaviour had a positive and significant effect on investment choices thus, the research emphasizes the need to consider people's financial behaviour when making investment choices. Microfinance bank digital customers should be conscious of their personal financial behavioral biases and take necessary measures to minimize impact on their investment decisions. For instance, they should diversify their investments to minimize risks and maximize returns. It is recommended that managers of microfinance banks should hold seminars and workshops to enhance digital customers' financial behavior. These programs should be tailored to meet digital customers' investment demands, thus increasing demand for microfinance bank investment products.

Financial knowledge had a positive and significant effect on investment decisions. It is recommended that the government should incorporate financial education in the school curriculum in order to improve the level of financial knowledge among the population more so to digital customers of microfinance banks in Nairobi County. Secondly it is also recommended that microfinance banks managers should consistently organize training to enhance the financial knowledge of their digital customers.

Financial attitude had a positive and significant effect on investment decisions. It is recommended that the regulator and association bodies should collaborate and come up with the regulation to ensure that microfinance banks support, implement and adopt effective and sound financial literacy programs. This will make digital customers of MFBs adopt a positive financial mindset that can catalyze favorable investment decisions.

VIII. Suggestions For Further Studies

There is a need to research more on the extent to which financial literacy affects investment decisions of microfinance banks members other than digital customers such as shareholders, employees, and other stakeholders. More so, a comparative analysis investigating the impact of financial literacy on investment decisions made by investment groups could be valuable. This suggestion comes from the study observations that investment decisions made within groups were much better than those made by individuals in terms of financial outcomes. The current study did not focus on other variables that could have impacted financial literacy such as regulations and legislation, politics as well as government policies hence, further research can be done incorporating these variables. The researcher also suggests further research on financial literacy covering non-deposit taking microfinance banks.

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