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Financial Literacy and Financial Inclusion among Small and Medium Enterprises in Marsabit County, Kenya

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Abstract:
Government's endeavors have targeted towards boosting financial inclusion especially aimed at financially excluded firms and individuals, through increasing access to financial services and products. Nevertheless, financial literacy has been overlooked notwithstanding low levels of financial literacy in Kenya (about 38% of adults) (Fintech, 2021). Literature review indicates that increasing access to financial services and products does not necessarily boost financial inclusion unless coordinated efforts are made to advance financial literacy. Due to the growing relevance of SMEs in employment generation, the research study primarily aims to assess the effect of financial literacy on financial inclusion amongst Small and Medium Enterprises (SMEs) in Marsabit County Municipality. Precisely, the study focused on ascertaining the effects of saving literacy, debt management literacy, financial planning literacy and investment literacy on financial inclusion. This research was based on the dual process theory, agency theory, information asymmetry theory and financial deepening theory to explain the relationship between the study variables. The study intended to collect primary data using questionnaires. A descriptive survey design was adopted. The target population included all the 396 SMEs operating in Marsabit County, Municipality as at December 2021. The unit of observation was SME owners/ managers. The sample size for the study was 199 respondents. Frequencies, percentages, correlation, and regression was used to examine the data using descriptive and inferential statistics. The data was analyzed using the Statistical Package for Social Sciences version 24. The findings were presented using charts, tables, and figures after the data has been analyzed. The study established that debt management literacy, saving literacy, investment literacy and financial planning literacy had significant positive effect on financial inclusion of SMEs in Marsabit County, Kenya. However, the effect was minimal with none of the literacy contributing more than 30% in financial inclusion and overall contribution as obtained from R-Square was less than 50%. Financial planning literacy had the least contribution. Therefore, the study concluded that financial literacy has minimal contribution to financial inclusion of SMEs in Marsabit County, Kenya. In this regard, the study recommended that The creditors, such as suppliers, banks and other financial institutions should offer financial literacy programs in regards to debt management especially awareness of credit products and services as well as calculation of interest charged. Financial institutions, both national and county governments through their line ministries in Trade should organize seminar, workshop for capacity building and training of SMEs in financial planning and management.

Key Word: *Financial Literacy Measures, Saving Literacy, Debt Management Literacy, Financial Planning, Literacy Investment Literacy, Small and Medium Enterprises*

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I. Introduction

The rapid growth of financial literacy in the last few years continue to attract attention of scholars and practitioners. For example, In Malaysia, Hamid and Locke (2021) studied the correlation between financial literacy, money management abilities, and financial services access. They argue financial literacy has a positive impact on credit cardholders' decision-making, improving their financial services access. In Poland, Swieka, Yesildag, Ozen and Grima (2020), examined financial literacy in relation to financial sustainability of individuals. As noted by VIH (2016) financial literacy plays a significant role in financial decision making because it represents a systematic effort that is needed to develop positive knowledge and attitudes. Financial literacy, according to Lusardi and Mitchell, (2016); Bhusham and Medury (2018), is linked to positive financial behavior, such as debt management, savings, investment and credit.

Despite numerous organizations' sincere concern and efforts to improve financial literacy among many people around the world, studies continue to show low level of financial literacy. Studies in USA reveal that majority of Americans do not understand the terms of their financial behaviour and hence banks have profited because of consumer mistakes (Acohido, 2018). This resulted to revision of credit service rules in America to protect consumers with little effect. Elsewhere, in other countries consumers are faced with a multitude of complex choices beginning with choosing the right credit card issuer and the credit card features that better fit their needs. Financial literacy, as per Vijayvargy and Bakhshi (2018), is the ability to comprehend all aspects of money, including how it works, how to manage it, how to earn it, how to invest it, how to donate it, how to save tax on it, and how to make money out of money. Access to and sustained use of financial services is, among other factors, a function of social and physical distance of existing or potential customers to branches and agents of financial service providers.

Financial inclusion is a critical enabler of growth, particularly in attaining Kenya's Vision 2030 and some of the SDGs (SDGs). Financial inclusion, as defined by the World Bank, occurs when individuals and enterprises have access to more beneficial and relatively inexpensive financial goods and services that match their requirements in terms of purchases, payments, credit, and insurance that are supplied in a responsible, affordable, and sustainable manner, rather than credit growth (World Bank, 2018).

Financial inclusion is of crucial relevance because it has been growing worldwide at twice the rate of other key institutional dimensions, such as education (improvements in adult literacy, quality of education, and school enrollment) and health (reduction in infant mortality) as per World Bank during the duration 2011-2017 (Demirguc-Kuntet al., 2018). Financial inclusion refers to how widespread the access and use of formal financial services are (Demirguc-Kunt et al., 2018). Financial inclusion is a means to an end, a substantial body of literature has documented its beneficial effects on reduction in poverty through increased availability of financial instruments (Park & Mercado, 2015).

Financial literacy, as per Lührmann et al. (2015) and Burke and Manz (2014), directly impacts individual's choice of using financial goods since they are more likely to utilize vital information, and also make better use of it. Financially literate individuals are also more probable to obtain sound advice from financial experts (Calcagno and Monticone 2015). In addition, financially literate individuals are more likely to enroll in financial products like savings account, loans, investment and bank accounts (Jappelli and Padula 2013), partake in financial markets (Klapper et al. 2013; Acquah-Sam and Salami 2013), successfully manage their small businesses (Dahmen and Rodrguez 2014), and save money for emergencies (Cole et al. 2011). (Silgoner et al. 2015).

Kenya has consistently affirmed its commitment to furthering the global agenda of financial inclusion, as demonstrated by several financial sector reforms. For instance, the introduction of agency and mobile banking have revolutionized the country's financial sector (Central Bank of Kenya-CBK, 2016). The Kenyan government not only advocates for inclusiveness at policy level but has also established a package for special groups: People with disabilities, youths, and women. For a long time, the youth and women fund had been in existence for over ten years were the first step by the government to enhance financial inclusion. Furthermore, the government established Uwezo Fund in 2013 to help People with disabilities, youths, and women to improve their economic and social capabilities through issuance of loans aimed at providing capital for business start-ups (United Nations Educational, Scientific and Cultural Organization-UNESCO, 2016).

Small and Medium Enterprises (SMEs) play an important economic role in many countries. For instance, Kenya has focused on the promotion of SMEs as a way of encouraging broader participation in the private sector (Ndiaye, Razak, Nagayev, & Ng, 2018). According to a World Bank report, there are many SMEs in Kenya which, despite their high potential, have been unable to access financing from existing institutions in the financial sector. Such situations may be due to the inability of the enterprise to adequate information on saving, poor budgeting or to operational issues within the enterprise requiring more hands-on assistance from the government and commercial banks (World Bank, 2018).

One of the major hurdles to the rapid expansion of the SMEs, as per Idowu (2016), is an absence of debt management skills as well as equity financing in Kenya. Further, SMEs cannot invest in new technology without financial support, nor can they expand to compete in the international markets or form business partnerships with larger companies (Idowu, 2016). Therefore, SMEs in Kenya are often considered as insecure and costly businesses so they are mostly rationed out in their access to credit because of high intermediation costs, including the cost of monitoring and enforcement of loan contracts.

Statement of the Problem

Over the past decade Kenya has experienced intense financial sector reforms with extensive growth of technological advancements such as mobile banking and automatic teller machines. Growth in financial inclusion has been cited as one of the pillars that are expected to drive the economy towards a prosperous ten per cent growth rate as envisioned in the vision 2030 (IFC, 2019). In addition, expanding household formal financial service access is one of Kenya government agenda and deeply anchored in the national development blueprint that is Vision 2030. Greater financial inclusion is expected to increase household's access to financial services, boost savings and investments, and lead to the realization of the country's development agenda (World Bank, 2020).

However, despite the efforts, access to formal financial services remains low. For instance, access to savings, access to credit and access to insurance remains low at 58, 29 and 17 percent, respectively (Shibia & Kieya, 2018). In addition, according to Fin Access Survey (2018), 33 per cent of the country's population accessed financial services from formally regulated financial institutions, eight per cent from informal ones, 26 per cent were financially excluded, and 33 per cent from other sources. Furthermore, according to FinAccess survey of 2017, 17 per cent of Kenyans access informal financial services while seven per cent are excluded.

Financial literacy on the other hand helps individuals to comprehend crucial financial concepts and obtain appropriate skills in managing finances and living in a financially health manner. This in turn boosts financial inclusion through increased uptake of financial products and services such as bank account, credit, savings, investment and fruitfully managing SMEs (Fanta & Mutsonziwa, 2021). According to financially literate SMEs owners make better decisions about saving, spending, borrowing, investing, and knowing their rights and obligations as purchasers of financial products, as well as being able to manage risks (Lusardi, 2019).

Despite the growth in financial inclusion, what is of concern to policymakers is the fact that financial literacy levels in Kenya are low where only 38% of adults are financially literate. This is further reinforced by research that suggests that simply increasing the availability of financial products and services may not help to increase financial inclusion except if highly coordinated efforts are made to enhance financial literacy (Kodongo, 2018; Lusardi, 2019; Fintech, 2021; Fanta &M utsonziwa, 2021).

Several studies have been conducted to examine the financial literacy effect on financial inclusion. For example, Gathungu and Sabana (2018) studied SMEs' financial literacy, access to finance, performance as well as transaction fees in Nairobi's CBD. Their findings revealed that financial literacy enhances access to financial services, which benefits the performance of SMEs. Several studies have been conducted in Kenya on financial regulation, financial literacy, and the impact on financial inclusion (Kodongo, 2018). He found out that financial literacy and banking regulations improve financial inclusion. In addition, Kamakia, Mwangi, and Mwangi (2017) examined the relationship between financial literacy and financial well-being. Regardless of the fact that financial literacy is a widely discussed topic in the literature, the relationship between financial literacy and financial inclusion in Kenya has not been formally established, particularly among Kenyan retail SMEs. The current study attempted to bridge this knowledge gap.

Objectives of the Study

i) To assess the effect of debt management literacy on financial inclusion of SMEs in Marsabit County, Municipality.
ii) To examine the effect of saving literacy on financial inclusion of SMEs in Marsabit County, Municipality.
iii) To ascertain the effect of investment literacy on financial inclusion of SMEs in Marsabit County, Municipality.
iv) To examine the effect of financial planning literacy on financial inclusion of SMEs in Marsabit County, Municipality.

II. Literature Review

Theoretical Framework

Dual Process Theory

A dual process theory, as proposed by Richard Petty and John Cacioppo in 1986, principally focuses on the ground of sociocultural psychology. It too considers how economic judgments might be hampered by cognitive and intuitive processes, implying that financial literacy does not always result in the best possible financial decisions (Lusardi & Mitchell, 2011). The Dual Process theory refutes the idea that high-financial-literacy groups' actions are influenced by the presence of two philosophical styles: intuition, system 1 and cognition, system 2 (Glaser & Walther, 2013). This demonstrates how financial literacy courses can affect decision-making ability through the use of simple and easy-to-understand approaches (Fatoki, 2014; Cole & Fernando 2008). Furthermore, as humans rely on intuition when important information is lacking in favor of decision making, the usage of intuition could be simplified by stipulating pertinent data through financial education (Obago, 2014). Dual process theories apply to this research since it suggests that people with high cognition will hunt out details and are more likely to be prejudiced by the appropriate message, making it difficult for them to make rational judgements. In addition, the operations of SMEs are meant to be backed up by data that persuades them to have a certain preference in the market.

Financial Literacy Theory

According to Gallery, Newton, and Palm (2011), financial knowledge is a type of human capital investment, and several empirical studies suggest that individuals need to know more to be informed. As per Atkinson and Messy (2005), financial literacy is the integration of an entrepreneur's understanding of financial products and concepts, and also their desire to comprehend financial opportunities and risks, make informed choices, know where and how to ask for help, and take other actions to improve their financial well-being. Lursadi and Oliver (2006) contend that financial literacy aids in the empowerment and education of investors, allowing them to be informed about financial services in a manner that relates to their own business and allowing them to utilize this skill to assess financial products and services and arrive at fully informed choices. Lusardi and Oliver (2006) further remarked that greater financial knowledge is widely expected to aid in overcoming latest challenges in sophisticated financial system .This theory stipulates that SMEs whose owners are financially literate are able to understand financial products and services as well as risks and opportunities involved. Therefore, SMEs make informed financial choices (borrowing, saving and investing) while minimizing risks of exploitation.

Financial Literacy Theory of Financial Inclusion

According to this theory by Ozili (2020), financial inclusion is accomplished through education that increases citizens' financial literacy. The theory further posits that financial literacy increases people's and businesses willingness to engage in the formal financial sector. The theory of financial literacy has some merits. The theory proposes three benefits of financial literacy where one benefit is that it raises people's and business' awareness of the financial products and services offered to them. Therefore, this increases people's and firms' readiness to engage in formal financial sector undertakings such as bank account opening once they are familiar with prevailing financial services and products that can truly improve their well-being. Second, greater financial literacy facilitates individuals and firm owners/managers to benefit from other formal financial sector benefits such as investment, loan, saving products. Finally, this theory stipulates that financial literacy assists SMEs in becoming self-sufficient and having some financial stability by assisting them in distinguishing between needs and wants, creating and managing a budget, learn how to save so as to pay bills promptly, invest, and borrow loans (Ozili, 2020). This theory stipulates that financial literacy increases financial inclusion through uptake of financial products and services such as bank accounts, savings, investments and borrowing however the theory overlooked the magnitude of the effect of financial literacy on financial inclusion.

Conceptual Review

As per Kombo and Tromp (2006), a conceptual framework is a tool for increasing awareness and knowledge of the condition under investigation, as well as communicating it clearly. The framework underscores how variables relate with each other or could be made to interact under conditions that can be influenced. The key variables in this study were categorized as independent and dependent variables. Financial literacy factors were the independent variables. The variables were namely; saving, debt management, financial planning and investment. The dependent variable was the financial inclusion which was measured by financial service access and usage. To guide the study, the interrelationship between variables discussed above is presented in the conceptual framework model shown in Figure 1.

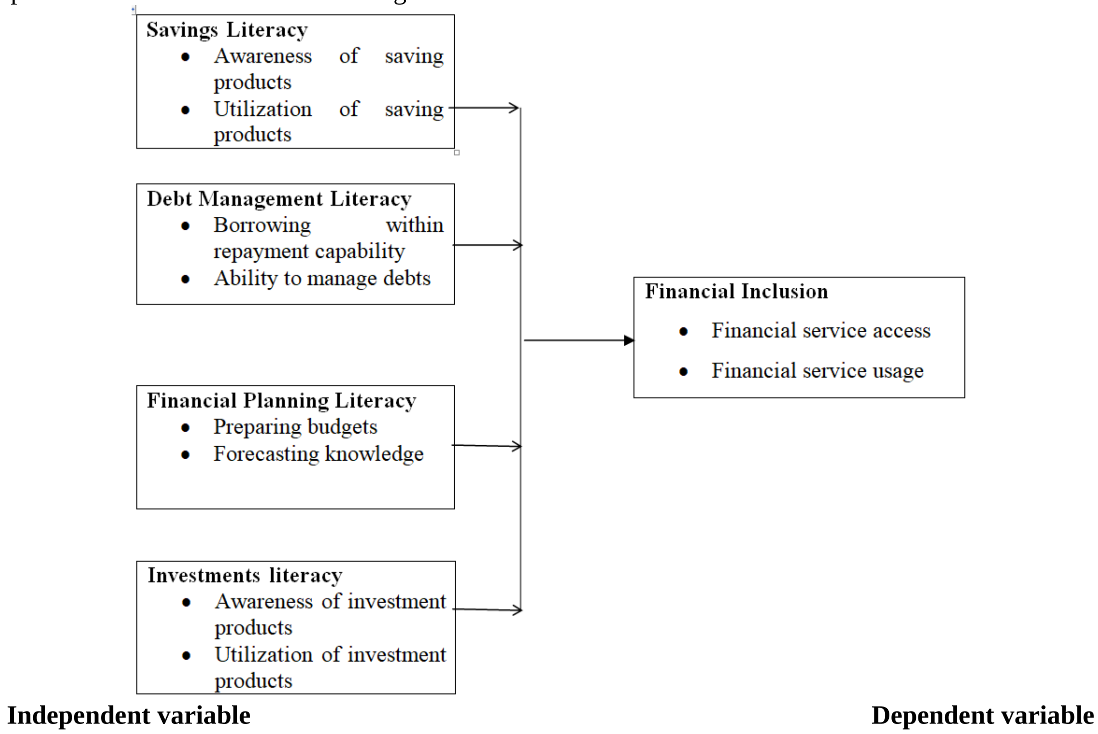

Figure 1.0: Conceptual Framework

Empirical Review

Saving Literacy and Financial Inclusion

Seshan and Yang (2018) investigated the impact of savings-oriented financial literacy training on the financial decisions of Indian migrant workers in Qatar and their wives who remained in India. The participants in this study were 232 married, male Indian migrant workers based in Doha, Qatar, of whom 157 were randomly assigned to receive a short financial literacy training consisting of a three-hour workshop followed by a two-hour dinner focused on developing and implementing household savings plans, and 75 workers were not. Migrants who received an invitation were 48.4 percent more likely to self-report jointly making financial decisions with their wives, according to the research. Noelia and Alfredo (2018) carried out research in Peru on the factors that influence financial inclusion. Lack of faith in financial institutions was identified as a barrier by 37 percent of those who did not utilize banking services, according to the report. In Ebonyi State, Nigeria, Egwu and Nwibo (2019) performed a research on the effect of rural women farmers' saving capacity. According to reports, the paperwork involved in obtaining a bank account is considered as a barrier to rural women farmers' ability to save. The bureaucratic bottleneck manifested itself in the form of delayed registration and problems obtaining a referee letter, all of which deterred many women farmers from saving. Collins et al. (2019) investigated the poor's portfolios in New Jersey and discovered that the poor and MSEs utilized informal savings channels that were less secure and safe

As per Obago (2019) most working people experience stress due to monetary behavioral issues like extravagant spending, credit mismanagement, over-indebtedness, improper cash management, and low income. As an outcome of the aforementioned challenges, workers are struggling to make ends meet, that has a detrimental impact on job productivity. As a result of challenges arising from a lack of financial literacy, several firms in the United States have implemented financial education in the workplace to educate their employees with self-management competencies. As per the 2019 Financial Capability Report, 25% of Kenyans have credit issues and tend to seek loans to repay loans, acknowledging that they are out of control with their finances. As a consequence, improving one's financial literacy will have a positive effect on one's behavior in terms of increasing savings, wealth growth, and avoiding unnecessary expenses. SME owners would be better bank customers, cautious managers of their enterprises' limited financial resources, and better able to select the most ***appropriate products for their businesses as a result of this.***

Debt Management Literacy and Financial Inclusion

Lusardi and Mitchell (2016) investigated the effect of financial literacy rates on entrepreneurs' performance. People with low financial literacy are more vulnerable to exploitation when it comes to debt management, savings, and credit, and they are unable to manage their resources competitively, such as making an investment in the money market or stock market, or performing better on portfolio selection, so they end up planning poorly, according to the research, while entrepreneurs with a high level of financial literacy, on the other hand, are able to select a viable portfolio with lower financing costs.. Furthermore, individuals possessing high financial literacy can build more wealth and manage resources more efficiently with reduced financial expenditures, according to the research. A study by Pisa (2017) sought to investigate drivers of financial literacy rates and revealed that the growing interest in finance-related education is a very vital life skill because it is connected to a variety of internal and external factors. Government policies and regulations that diversify risks and have yielded employers and persons sharing responsibilities, like the contributory pension, wherein persons contribute to their future retirement and become a part of their future financial security, substituting the previous policy whereby the employer contributed solely to the individual pension, are examples of such factors.

Financial access, as well as financial literacy, were researched by Siekei et al. (2017), who discovered that financial access is a vital component for SMEs in developing nations to produce, generate jobs, compete in the market, grow their firms, and alleviate poverty. The study emphasizes the challenges that SMEs face in financial institutions due to formalization structures, that make them fail to attain the necessities set by bankers as proof of their capability of repaying the loans advanced, resulting in them being denied financing and labeled as a risky venture. Because of these formal sources and types of finance challenges, SMEs' investment contribution is lower than that of established firms. Siekei et al. (2017) further contends that SMEs rely heavily on informal income streams, such as ungoverned money lenders and family and friends advances, which stifles their growth. However, while these informal income streams are an option, self-financing is limited by the low saving abilities of most SMEs. FSD (2019) and Master Card (2019) analysed the effect of financial literacy on economic running practises among Kenyan commercial bank officials using a sample of 100 respondents. According to the findings, highly trained employees are associated with higher wealth levels and sound financial choices, whilst low levels of numeracy are associated linked to wasteful spending. Employees who are more numerate and financially literate are more inclined to invest in stocks and trade in financial markets. The study conducted by Lusardi and Tufano (2019) examined credit literacy, financial incidences, and over-indebtedness among Americans. The study discovered that three-quarters of the target group could not apply the concept of interest exacerbating to their day-to-day business activities or accept the efficacy of a credit card. They also stated that due to a lack of resources and insufficient financial control, women, the underprivileged, the elderly, and divorcees are the most affected.

Financial Planning Literacy and Financial Inclusion

Siekei et al. (2017) investigated the impact of budgeting skills on SMEs' performance and discovered that a better presentation of SMEs in terms of sales growth and profitability is linked to proficiency in budgeting skills and business growth, which is achieved through finance education that enables people to forecast sales and set realistic goals. Fatoki (2018) discovered, however, that small enterprises function informally in terms of predicted income and expenditure, as well as a lack of financial planning and procedures. In Nigeria, Ezejiofor et al. (2018) explored the impact of accounting records in small firm performance and discovered that MSEs that kept adequate accounting records were able to precisely gauge their enterprises' success. They too claim that business decisions regarding growth, sustaining a competitive edge, preventing business failure, and filing tax returns necessitate documentation that is reliable, relevant, easy to understand, and readily available. According to the researcher, bookkeeping systems could perhaps generate information in a simple and precise order.

Joshi et al. (2019) investigated the budgeting process and company performance and discovered that large companies have chances of undertaking detailed budget process and excellent presentation. In relation to the research, firm size and complexity business activities have a substantial impact on the budget process that has an impact on the company's performance. The company size is a common variable in quantitative research. Wijewardena and DeZoysa (2020) investigated SMEs' contributions to the budget process and discovered that the proper budget is jeopardized by two important facets of the anticipated budget process: budget planning and budget control. They discovered that there are three types of firms: those that do not use any type of budget, those that use ample planning in some areas of operations (also known as simple budgeting), and those that use detailed budgeting in all areas of operations. Administration focuses mainly on budget controls for business checks and balances.

Njoroge (2018) studied the relationship between financial planning and entrepreneur success among SMEs in Nairobi City County, Kenya and established that entrepreneurs had some level of financial planning and that in some cases those in formal SMEs were highly financially literate. Wise (2016) studied the impact of financial planning on new venture survival in Canada and established that increases in financial planning led to more frequent production of financial statements which contributed to more effective management of the enterprises. In a study on the effect of entrepreneur skills on the performance of SMEs in Zimbabwe, Zindiye (2015) established those financial skills, particularly book keeping skills, financial statements preparation, debit and credit control, budgeting skills and tax calculation influenced the performance of the enterprises.

Siekei et al (2018) studied the effect of financial planning education on performance of small firms in Njoro, Kenya and established that training in financial analysis, budgeting and credit management improved the performance of microenterprises. Barte (2017) studied the effect of financial planning on the performance of microenterprises in the fishing subsector in the Philippines and established that the fish vendors had low financial skills which affected the incomes and growth of the microenterprises.

Investment Literacy and Financial Inclusion

Gichamba, Waiganjo, and Orwa's (2015) research, on the other hand, sought to establish the shock associated with mobile money usage amongst Kenyan small-scale farmers. Mobile money services that they focused on were credit facilities, record keeping, and obtaining advisory knowledge. In conclusion implementation of financial education in primary schools, allowing the rural population to put the concepts learned into practice as they grew older. Wafula (2017) studied the impact of financial literacy on smallholder farmers' financial inclusion in Trans Nzoia County. The study involved 384 smallholder farmers in Trans Nzoia County. For data collecting, questionnaires were used. Inferential and descriptive statistics were used to analyze the data. Standard deviation, means, frequencies, and percentages were among the descriptive statistics employed. Inferential statistics were utilized to establish the link between variables using multiple linear regression. The study discovered that small-scale farmers' saving, debt management, financial planning, and investing strategies all had a significant impact on their access to and use of financial practices. The study shows that saving habits, debt management, investment habits, financial planning services, and financial inclusion have a positive and substantial link.

Kimindundi and Erik (2016) studied SMEs in the Ruiru sub-county, Kenya, seeking to establish whether investment literacy had an influence on financial performance. The study used a descriptive research survey design. The population of the study consisted of registered SMEs who had some investment literacy training under Equity Bank in Ruiru sub-county. Out of 334 respondents, 100 were selected to participate in the study. Stratified sampling was used in determining the sample. The SPSS software was used to analyse the data and inferential statistics in the determining of the significance of the results. Multiple regressions were also used and the results thereof indicate that investment literacy and financial performance had a strong positive relationship. The overall results of the study thus conclude that the higher the levels of investment literacy portrayed by SME owners, the higher the performance by the SMEs. Eniola and Entebang (2017) examined SME owner or manager investment literacy levels and its effect on the performance of the firm. Random sampling was used and data was analysed using structural equation modelling to evaluate the impact of investment literacy of SME owners or managers in the south-west of Nigeria. The findings showed that SME (owners or managers) FK and FAW were not pre-requisites of firm performance, but characteristics of the entrepreneurs in decision-making and relationship to financial attitude could be compared with investment literacy.

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III. Material and Methods

Descriptive research design was employed in this study. Descriptive research design can either be observational, case study or survey method. The observational method involves directly observing a case scenario so as to obtain information. The population of the study was 396 SMEs found within the Marsabit County, Municipality (Marsabit County Ministry Trade, Industry & Enterprise Development, 2022). The respondents or observational units were the owners/mangers of the SMEs sampled. The sampling frame of this study waa all the 396 licensed SMEs in Marsabit County Municipality, Kenya. A stratified sampling methodology was used, in which the population was divided into fifteen strata based on the industry in which the company operates. The study adopted Taro Yamane (1967) formula with assumption of 95% of confidence level to estimate the sample size of which 199 SMEs were selected using stratified random sampling from Cereal Stores, Mpesa shops

Registered Salons and Barbershops, Hotel and restaurants, Butcheries, Retails and wholesale shops, Supermarket, Wielding workshop, Timber yards and Furniture Stores, Hardware Stores, Car/motor cycle garage, Bookshop and Stationeries Stores, Boutique and Fashion store, Pharmacy Shops and Agro vets, Electronic Shops.

This research used first-hand information that was assembled by issuance of questionnaires to 199 respondents The questionnaires had closed-ended questions. Mugenda and Mugenda (2012) indicate that a questionnaire facilitates collection of first-hand information. The questionnaire had a scale in form of a 5-point Likert type scale which ranks the responses in the scale of 1 to 5 where: 1 represents “No Extent”, 2 is for “Little Extent”, 3 is for “Moderate Extent”, 4 is for “Great Extent” and 5 represents “Very Great Extent”. The pilot was undertaken on 10% of the 199 study target respondents which is a total of 20 respondents from SMEs in Marsabit County Municipality. This investigation used Cronbach’s Alpha (α) scale of 0.7 as an inside reliability scale calculated as a constant oscillating from 0 and 1 and it was reliable. For this enquiry the instruments were verified during the pilot study to ensure they are not faulty and are understood by the respondents. During the study, appropriate language was used to remove any ambiguity and allow free flow of information. Descriptive statistics to be used included frequency distributions and measures of central tendency (mean and standard deviation). Inferential statistics was utilized in examining the causal relationships between savings literacy, debt management literacy, financial planning literacy and investment literacy on financial inclusion of SMEs in Marsabit County, Kenya. The analyzed data were presented in the form of tabulations, percentages, mean and standard deviation.

IV. Result and Discussion

Descriptive Analysis

These are descriptive statistics to find out the extent of financial inclusion of SMEs in Marsabit County, Municipality as summarized in table 1.

Table 1: Descriptive statistics: Saving literacy

	Financial service access and use	5	4	3	2	1	Mean	S.D
1.	Savings services	12.7	36.3	36.9	7.6	6.4		
		(20)	(57)	(58)	(12)	(10)	3.41	1.02
2.	Depositing/Withdrawing cash	10.2	55.4	13.4	11.5	9.6		
		(16)	(87)	(21)	(18)	(15)	3.45	1.12
3.	Loans services	20.4	47.1	15.9	12.1	4.5		
		(32)	(74)	(25)	(19)	(7)	3.67	1.07
4.	Mobile banking	13.4	62.4	17.2	3.8	3.2		
		(21)	(98)	(27)	(6)	(5)	3.79	0.84
5.	Micro-insurance services	24.2	10.8	43.3	15.3	6.4		
		(38)	(17)	(68)	(24)	(10)	3.31	1.18

N=157; KEY: 1- No extent, 2-Little extent, 3-Moderate extent, 4- Great extent, 5- Very great extent; SD= Standard Deviation.

According to the findings of the research, 12.7% (20) of the respondents agreed to a very great extent on the savings services and another 36.3% (57) agreed to a great extent on the same statement. Moreover, 36.9% (58) of the respondents agreed to a moderate extent, 7.6% (12) agreed to a little extent while 6.4% (10) agreed to no extent on the statement savings services. With a mean of 3.41 and a significant standard deviation of 1.02, the respondents agreed on the savings services to a moderate extent. In addition, the results revealed that, 10.2% (16)

of the respondents agreed to a very great extent on depositing/withdrawing cash while 55.4% (87) agreed to a great extent on the same statement. Also, 13.4% (21) of the respondents agreed to a moderate extent on depositing/withdrawing cash. On the other hand, 11.5% (18) of the respondents agreed to a little extent and 9.6% (15) agreed to no extent on the same assertion. With a mean of 3.45 and a significant standard deviation of 1.12, the respondents agreed on depositing/withdrawing cash to a moderate extent.

As illustrated in the table above, of all the individuals who responded to the survey, 20.4% (32) agreed to a very great extent on loans services, 47.1%(74) agreed to a great extent, 15.9% (25) agreed to a moderate extent, 12.1% (19) agreed little extent, while 4.5% (7) agreed to no extent on the same statement. This statement had an average score of 3.67 and a significant standard deviation of 1.07 showing that the respondents agreed on loans services. On statement of mobile banking, 13.4% (21) agreed to a very great extent with the statement, 62.4% (98) agreed to great extent, 17.2% (27) agreed to a moderate extent, 3.8% (6) agreed to a little extent, while 3.2% (5) agreed to no extent with the same statement. With a mean of 3.79 and an insignificant standard deviation of 0.84, the respondents did not agree on mobile banking. Lastly, on statement of micro-insurance services, participants who agreed to a very great extent were 24.2% (38) while those who agreed to a great extent were 10.8% (17) and respondents who agreed to a moderate extent were 43.3% (68). Conversely, respondents who agreed to a little extent were 15.3% (24) and those who agreed to no extent on micro-insurance services were 6.4% (10). Therefore, with a mean of 3.31 and an insignificant standard deviation of 1.18, the respondents agreed on micro-insurance services.

Correlation Analysis

The correlation coefficient (r) results are presented as shown in Table 2 using Pearson correlation analysis, which computes the direction (Positive/negative) and the strength (Ranges from -1 to +1) of the relationship between two continues or ratio/scale variables.

Table 2: Multiple Correlation Matrix

		DML	SL	IL	FPL
DML: Debt management literacy	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	157			
SL: Saving literacy	Pearson Correlation	.485**	1		
	Sig. (2-tailed)	.000			
	N	157	157		
IL: Investment literacy	Pearson Correlation	.595**	.422**	1	
	Sig. (2-tailed)	.000	.000		
	N	157	157	157	
FPL: Financial planning literacy	Pearson Correlation	.141	.225**	.322**	1
	Sig. (2-tailed)	.078	.005	.000	
	N	157	157	157	157
Financial Inclusion	Pearson Correlation	.497**	.457**	.505**	.400**
	Sig. (2-tailed)	.000	.000	.000	.000
	N	157	157	157	157

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

From the correlation Table 2, debt management literacy is positively correlated to financial inclusion of SMEs, the coefficient is 0.497 (p value < 0.01) this is significant at 99% confidence level. Thus, increase in debt management literacy would make financial inclusion of SMEs to increase in same direction. Similarly, the correlation coefficient for saving literacy was 0.457, P=0.000, suggesting that there is significant positive relationship between saving literacy and financial inclusion of SMEs in Marsabit County, Kenya. Increase in saving literacy would results to increase in financial inclusion of SMEs. Similarly, a correlation coefficient of 0.505** implied that there is significant positive relationship between investment literacy and financial inclusion of SMEs. Lastly, there is significant positive relationship between financial planning literacy and financial inclusion of SMEs in Marsabit County, Kenya. in Kenya as indicated by .505**, p=0.000. This implies that increase in financial planning literacy would results to increase in financial inclusion of SMEs.

Multiple Linear Regression

Multiple regression analysis was computed to assess the multivariate influence of the study's independent variables (debt management literacy, saving literacy, investment literacy and financial planning literacy) on the dependent variable (financial inclusion of SMEs). This was after the compulsory assumptions of multiple regression analyses were checked and met. The multiple regression results are shown in table 3.

Table 3: Multiple regression results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.643[a]	.414	.398	.6580	.414	26.666	4	152	.000

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	46.178	4	11.544	26.666	.000[b]
	Residual	65.372	152	.433		
	Total	111.550	156			

a. Predictors: (Constant), Financial planning literacy, Investment literacy, Saving literacy, Debt management literacy

b. Dependent Variable: Financial inclusion of SMEs

Multiple regression analysis in table 3 shows the multiple regression results of the combined influence of the study's independent variables (debt management literacy, saving literacy, and investment literacy and financial planning literacy). The model's R squared (R^2) is 0.414 which shows that the study explains 41.4% of variation in financial inclusion of SMEs in Marsabit County, Municipality, while other factors not in the conceptualized study model accounts for 58.6%, hence, it is a good study model.

Furthermore, Analysis of Variance (ANOVA) shows the mean squares and F statistics significant (F=26.666; significant at $p<.001$), thus confirming the fitness of the model and also implies that the study's independent variables (debt management literacy, saving literacy, investment literacy, financial planning literacy) have significant variations in their contributions to financial inclusion of SMEs in Marsabit County, Municipality.

Finally, the values of unstandardized regression coefficients with standard errors in parenthesis in table 4.18 indicate that all the study's independent variables (debt management literacy; $\beta = 0.326$, t=3.068 at $p<0.01$, saving literacy; $\beta = 0.210$, t=2.693 at $p<0.01$; investment literacy; $\beta = 0.194$, t=2.293 at $p<0.05$, financial planning literacy; $\beta = 0.318$, t=3.891 at $p<0.01$ significantly influenced financial inclusion of SMEs in Marsabit County, Municipality (dependent variable). In this regard, the study's final multiple regression equation is;

$Y = 0 - .475 + 0.326X_1 + 0.210X_2 + 0.194X_3 + 0.318X_4$

Where;

y= Financial inclusion of SMEs in Marsabit County, Municipality.
X_1= Debt management literacy
X_2= Saving literacy
X_3= investment literacy
X_4= Financial planning literacy

Table 4: Regression Coefficients

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	-.475	.394		-1.206	.230
	Debt management literacy	.326	.326	.252	3.068	.003
	Saving literacy	.210	.078	.197	2.693	.008
	Investment literacy	.194	.085	.188	2.293	.023
	Financial planning literacy	.318	.082	.259	3.891	.000

a. Dependent Variable: financial inclusion of SMEs

From the findings presented in Table 4, we look at the model results and scan down through the unstandardized coefficients B column. All financial literacy had significant effect on the financial literacy on financial inclusion of SMEs in Marsabit County, Kenya. If financial literacy is held at zero or it is absent, the financial literacy on financial inclusion of SMEs in Marsabit County, Kenya. would be -0.475, p=0.230. Though be negative but insignificant.

What is the effect of debt management literacy on financial inclusion of SMEs in Marsabit County, Municipality?

Multiple regression coefficients results indicate that debt management literacy practice significantly determined financial inclusion of SMEs in Marsabit County, Municipality ($\beta = 0.326$ at $p<0.01$). The results indicate that a unit improvement in debt management literacy will lead to 0.326 units improvement in financial inclusion of SMEs in Marsabit County, Municipality when other factors in the model are controlled. The results are supported by Ismanto and Pebruary (2022) on how Debt Literate and Financial Literacy Enhance Smes Performance. The study is also supported Lusimbo(2016) who examined the Relationship between debt literacy and the growth of micro and small enterprises in Kenya: A case of Kakamega Central sub-county.

However, Obuya (2017) analyzed debt funding options and financial results of Ghana's micro and small businesses and established a negative and significant relationship between short-term loans and total debt on financial performance of enterprises. The study finding is not in tandem with the current study findings. A study by Lusimbo and Muturi (2016) studied the financial literacy and growth of small enterprises in Kenya, particularly focusing on Kakamega Central Sub- County, Kenya. The findings were that booking keeping significantly affects the growth of SMEs while debt management was insignificant in explaining unit changes in SMEs' growth. The study finding is congruent to the current study findings.

What is the effect of saving on financial inclusion of SMEs in Marsabit County, Municipality?

Multiple regression coefficient results indicate that saving literacy practice significantly determined financial inclusion of SMEs in Marsabit County, Municipality ($\beta = 0.210$ at $p<0.01$). The results indicate that a unit improvement in saving literacy practice will lead to 0.210 units improvement in financial inclusion of SMEs in Marsabit County, Municipality when other factors in the model are controlled. Saving benefits businesses as it provides the base for long-term investments. Saving also acts as a hedge for businesses against economic downturns and financial crisis. This finding was consistent with that of Sucuahi (2014) who established that the savings literacy among entrepreneurs in was high because they understood the importance of savings for their businesses. In a study of the Malaysian microenterprises, Tang, Chuna (2009) assert that high levels of saving indicate a business that is in good condition.

These findings compare favorably with Morgan and Long (2020) who investigated financial literacy, financial inclusion, and savings behavior in Laos. Hieltjes et al (2013) examined the influence of financial literacy, information and transactions costs as factors driving demand for and use of savings accounts among low income individuals and established that compared to financial literacy, transaction costs influenced the uptake and utilization of bank accounts. Further, Murendo and Mutsonziwa (2017) also confirm similar result while examining financial literacy and savings decisions by adult financial consumers in Zimbabwe.

What is the effect of investment Literacy on financial inclusion of SMEs in Marsabit County, Municipality?

Multiple regression coefficient results indicate that investment literacy does not significantly determine the financial literacy on financial inclusion of SMEs in Marsabit County, Kenya. projects ($\beta = 0.194$ at $p<0.05$). The results indicate that a unit improvement in investment literacy will lead to 0.194 units improvement in financial inclusion of SMEs in Marsabit County, Municipality when other factors in model are controlled. The results are supported by Wafula (2017) studied the impact of financial literacy on smallholder farmers' financial inclusion in Trans Nzoia County. The study discovered that small-scale farmers' investing strategies had a significant impact on their access to and use of financial practices. The study shows that investment habits and financial inclusion have a positive and substantial link. Kimindundi and Erik (2016) studied SMEs in the Ruiru sub-county, Kenya, seeking to establish whether investment literacy had an influence on financial performance. Multiple regressions were also used and the results thereof indicate that investment literacy and financial performance had a strong positive relationship. The overall results of the study thus conclude that the higher the levels of investment literacy portrayed by SME owners, the higher the performance by the SMEs.

What is the effect of financial planning literacy on financial inclusion of SMEs in Marsabit County, Municipality?

Multiple regression coefficients results indicate that financial planning literacy has significantly determined financial inclusion of SMEs in Marsabit County, Municipality ($\beta = 0.318$ at $p<0.01$). The results indicate that a unit improvement in financial planning literacy will lead to 0.318 units improvement in financial inclusion of SMEs in Marsabit County, Municipality when other factors in the model are controlled. In Kiambu County, Kenya, Kang'aru and Tirimba0(2018) studied the impact of financial planning practices on the financial performance of non-profit health organizations. The results showed that financial performance was affected positively and significantly by budgeting practices, cash planning,0inventory management, and working capital management. Orendo and Muturi (2017) studied the impact of financial planning on non-governmental organizations' financial performance. The study found that budgeting, funding practices, and financial forecasting influence financial performance. The study findings are not in tandem with the current study findings. Akuno, Kubasu, Mwathi, (2017) examined the impact of financial literacy among employees of Egerton University, Nakuru County, Kenya on personal financial decision making. The study also specifically sought to determine the effect of financial planning abilities on personal financial decisions. The study findings revealed that financial planning was important in determining personal financial decisions. The study finding is not in tandem with the current study findings.

V. Conclusion and Recommendation

In regard to debt management literacy, the study concluded that debt management literacy significantly affected the financial inclusion of SMEs in Marsabit County, Municipality positively. However, its contribution to financial inclusion variation was minimal due to moderate extent in regards to maintaining the right amount of debt at any particular time and calculating interest on loan with ease. Saving literacy significantly affected the financial inclusion of SMEs in Marsabit County, Municipality positively. Nevertheless, close examination to its contribution to financial inclusion variation it was found to be minimal below 50%. Despite the owners of the SME knowing the importance of savings, when SME income rises, the owners moderately put more money into savings and they rarely review their saving plans. Investment literacy significantly affected the financial inclusion of SMEs in Marsabit County, Municipality positively. However, close examination to its contribution to financial inclusion variation it was found to be minimal below the recommended 50%. This was supported by moderate awareness of viable investments in which they can invest in and investing money in a variety of different ways. Lastly, the study concluded that financial planning literacy significantly affected the financial inclusion of SMEs in Marsabit County, Municipality positively. Nevertheless, its contribution to financial inclusion variation was the least among the four financial literacy due to moderate extent in regards to making a budget for the money/income he earns from the business, acquisition of knowledge regarding the preparations of annual budgets, forecasting and cash flow analysis.

The study recommended that SMEs owner should regularly review their debt management regularly so as to know the optimum amount of debt to hold at any given time. The creditors, such as suppliers, banks and other financial institutions should offer financial literacy programs in regards to debt management especially awareness of credit products and services as well as calculation of interest charged. SMEs owner should regularly review their saving plan in regards to changes in income and rates interest income. Further, financial institutions especially SACCOs should offer variety of saving products and services with competitive interest rates so as to encourage SMEs to save. Further, SMEs owner should put some of the money into short-term investments and long-term investments so as to diversify the risk associated with their investments. Further, the government and other policy makers should make it easier for SMEs to invest in insurance products/services, shares, treasury bills and treasury bonds. Lastly, there is need for SMEs owners to prepare budget, cash flow analysis and forecast. However, this cannot be achieved without contribution of other players. Therefore, the study recommended that financial institutions, both national and county governments through their line ministries in Trade should organize seminar, workshop for capacity building and training of SMEs in financial planning and management

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