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Do Budgeting Practices Affect Saving Behavior among Small-scale Enterpreneurs in Kenya? Evidence from Kisumu Central Constitency

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Abstract

World Bank Development Indicators' most recent data reveals that the nation's Gross Domestic Savings as a proportion of gross domestic product(GDP) was 11.09 percent in 2017, 11.64 percent in 2018, 11.25 percent in 2019, and 12.83 percent in 2020. This shows that the country's domestic savings is increasing but relatively low. As a result of this, the country presents a significant development challenge. Individuals need to learn the basic knowledge of financial areas so that people may make knowledgeable financial decisions about how to earn, spend, save, manage, and invest their money. The purpose of this study was to answer if budgeting practices affect saving behavior among small-scale entrepreneurs in Kenya. The study's particular objectives were to; establish the influence of monitoring spending, financial planning, and tracking spending patterns on saving behavior among small entrepreneurs. The study was guided by Life Cycle Theory and Financial Literacy Theory. A correlational research design was employed in the study. The target population comprised 914 registered small entrepreneurs in Kisumu town central constituency who have been in business for at least 2 years. The study adopted the Yamane sampling technique and obtained 278 respondents. Open-ended and closed-ended structured questionnaires were employed to gather primary data. To test the reliability of

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the questionnaire, the study piloted 28 respondents who were excluded from the final study. The study then used Cronbach's Alpha to test reliability. The results showed that budgeting practices (α=0.828) and saving behavior (α=0.870) all had a strong alpha value of above 0.7 which indicates that the instrument is reliable. The study findings revealed that; monitoring spending was significant (β= .376; p=.000< 0.05) that is an increase of 1 unit in monitoring spending causes an increase of .376 units in saving behavior, financial planning was significant (β= .333, p=.000<0.05) that is an increase of 1 unit in financial planning causes an increase of .333 units in saving behavior and tracking spending pattern was also significant (β= .179, p= .000<0.05) that is an increase of 1 unit in monitoring spending terms causes an increase of .179 units in saving behavior. There was a strong positive and significant association between budgeting and saving behavior thus rejecting the null hypothesis. The study concludes that budgeting practices improve the saving behavior of small entrepreneurs in Kenya and recommends that small-scale entrepreneurs should practice all aspects of budgeting practices which includes monitoring spending, financial planning, and tracking spending patterns. This will enable them to compare what they have spent concerning what they had planned thereby helping them improve their saving behavior.

Keywords: Small Scale Entrepreneurs, Financial Planning, Monitoring

1. Introduction

Individuals whether in the public or private sector should be able to manage their finances in terms of saving and investing since managing money can be more difficult compared to earning it (Shafinar, Koe, Karim, Yusof, & Ishmail, 2020). The balance remaining after subtracting the cost of spending from the amount of disposable income is what Keynesian economists refer to as saving. The role played by private savings in propelling growth and investments cannot be over-emphasized. Even though investment helps the economy as a whole thrive, investment cannot be improved without a rise in savings. The economic growth of nations with higher savings rates has outpaced that of nations with lower savings rates (Ribaj & Mexhuani, 2021). A rise in aggregate savings would give rise to higher GDP growth. This is the fact that Savings contributes to capital development, which in turn spurs technological advancement and innovation, which aids in the economies of large-scale production. Specialization also boosts worker productivity, which further boosts GDP. Therefore, saving results in more efficient use of the resources that are already available, a rise in the amount of national output, income, and employment, and a reduction in poverty and inequality. Saving is crucial because it influences two economic principles, distribution and growth, and serves a variety of other reasons.

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Globally, household saving has risen in the United States and other high-income countries, despite widespread declines in wages and other private income streams. Domestic savings at the national level enable capital formation, which serves as a key pillar for economic development (Mwangi, 2020). For emerging nations like Kenya, where funds deposited in commercial banks represent a significant source of funding. Savings significantly contribute to encouraging investment and boosting economic growth. Despite its enormous relevance as a development and investment booster, domestic savings in emerging countries continue to be relatively low when compared to those in wealthy countries. The country's Gross Domestic Savings as a Percentage of GDP was 11.09 percent in 2017, 11.64 percent in 2018, 11.25 percent in 2019, and 12.83 percent in 2020, according to recent data from World Bank Development Indicators. According to Kenya's 2019 Fin Access household survey, households account for a sizeable share of the gross national savings. Although 55% of all adults have at least one formal saving account, there are still gender and geographic differences in formal accounts that average 10% and 23%, respectively. Despite efforts to increase financial literacy and the development of business ventures to increase savings, saving behavior in Kenya is still scarce. This might be a result of easy access to cash using mobile phones, the high cost of living, and the rise in consumption of goods and services.

An individual's marginal propensity to save, which is impacted by other factors, can be used to measure their saving behavior. As stated by African Development Bank (ADB, 2018), if Africa saved more and improve their household saving they would use those funds for infrastructure instead of raising the funds through external debt which is expensive although the saving and investment rate has increased over the last one decade, more needs to be done so we can support our investment. Furthermore, according to (ADB, 2018) African nations still have to bring up residential reserve funds rates compared to their per capita GDPs as their doing poorly compared to the East Asian and Pacific countries but good operative money-related intermediation can lead t anand increment to the rate of household investment funds. Be that as it may, numerous African nations are described by low savings and investment-related segment improvement, with a restricted cluster of money-related instruments to pull in reserve funds for investment in the same light.

Onduso (2013), examined how budgets affected the financial health of industrial firms in Nairobi County, Kenya. The study used a cross-sectional research methodology with 18 manufacturing companies listed on the Nairobi Securities Exchange. For the study, a census survey was used to gather information on all manufacturing companies in Nairobi County. The study included both primary and secondary data. The statistical package for social

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sciences was used to examine the data, and a regression model was used to ascertain the relationship between dependent and independent variables. The study's findings showed that the budget has a significant favorable impact on manufacturing enterprises' financial performance as indicated by return on assets (ROA). According to the study's findings, businesses must create a solid connection between the budgeting and planning processes. Based on the findings, the study suggested that increasing capability, prioritizing sound systems and processes, and closely monitoring for assessment could help with effective budget implementation. However, the study's conclusions solely addressed the connection between budgeting and financial performance and did not explore whether there was a connection between budgeting and saving behavior.

Mwaguni, Mbugua, & Rambo (2020), in their study to assess how budgets influence the performance of research projects of public Universities in the coast region Kenya. The study used the pragmatism paradigm. A descriptive survey and correlation research design were adopted in the study. Primary data was collected by the use of an interview guide and semi-structured questionnaires. The study findings established that budget influences the performance of research projects with a composite mean of 3.93 and a standard deviation of 0.747. The study found a positive correlation between budget and the success of research projects at public universities and advised the ministry of education and treasury to prioritize budgeting to build institutions' capacity and, as a result, enhance the success of research projects at public universities. The study did not, however, look at the connection between spending habits and saving patterns.

The impact of budgetary control uses on the financial performance of public universities in Nairobi County, Kenya, was studied by Odero in 2019. In Nairobi County's five primary public universities, a census survey was carried out. Primary data were gathered via structured questionnaires, and secondary data from the audited financial accounts of the public universities for the three fiscal years between 2014 and 2017 were utilized to calculate indicators of financial performance. Data analysis for the study included descriptive and correlation techniques. At alpha values of 0.05 (95% confidence level), regression analysis was done to evaluate whether there was a significant link between the independent and dependent variables. As evidenced by p values of 0.000, 0.025, and 0.006, respectively, the study's findings showed a significant association existed between budget planning, budget coordination, budget control, and the financial performance of public universities in Kenya. The study came to the conclusion that budgetary control aids in improving financial performance because it compares budget targets with actual performance and immediately corrects adverse discrepancies. The report advised that public universities employ effective budgetary

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coordination in their diverse departments' budgetary activities. The study did not, however, highlight the connection between saving and budgeting behavior.

Numerous studies such as Onduso (2013), Mwaguni, Mbugua, & Rambo (2020) and Odero (2019) have become interested in the impact of financial literacy and how it affects financial performance over time. However, few studies have focused on analyzing the influence of budgeting and its contribution to small-scale entrepreneurs' saving behavior or individuals who are in the informal sector. Even though the sector generates close to 80% of employment in the country. The majority of the available research studies have been done outside Kenya and mostly in more developed countries.

1.1 Small-Scale Entrepreneurs in Kisumu Central Constituency

Kisumu city is the largest city in Kenya and Kisumu central consistency is one of the 7 constituencies in Kisumu County. The city of Kisumu is widely dependent on small-scale businesses for its growth as they play an important role in generating employment, and promoting diversity, competition and innovation. Among the challenges faced by small-scale business owners is managing their funds. The majority of them do not keep track of their finances and often fail to save when they have a surplus. This is often contributed by limited financial knowledge and business owners' ignorance leading to the closure of the enterprises, over-reliance on loans, and poor business growth. The primary goal of an entrepreneur is their business survival (Kisker, 2016), for this reason, small-scale business owners' participation in saving will provide them with financial security and also secure them in a financial emergency. As a result of this, they can be able to avoid unnecessary debt and unexpected expenses.

1.2 Statement of The Problem

Small-scale business owners need to be encouraged to save more money, although they have low savings due to a high cost of living, a lack of saving knowledge, poor income, and other demographic factors. This is crucial because 80% of Kenyans work in the informal sector. Even though a lot of energy is being channeled by both governmental and non-governmental bodies in terms of offering financial and consultative support services, several research studies show they have been facing survival and success challenges. Studies on determinantsof saving have been done in Kenya but at the national level and in the formal sectors. Even though the informal sector is most oriented toward human psychological needs meaning that their financial management has a major influence on the stainability of these enterprises, according to the literature already in existence, not much has been

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accomplished regionally, especially in the informal sector. Again, prior research concentrated on identifying a variety of factors that restrict saving, such as interest rates, demographic factors, the availability of credit, and inflation, but little has been done to examine the impact of financial literacy on saving, especially in Kenya's metropolitan areas. Last but not least, there is relatively little research done in Kenya on the impact financial literacy has on households' decisions to save. The majority of the studies concentrated on the relationship between financial literacy and successful entrepreneurship, retirement planning, and personal financial management. By examining the effect of budgeting practices on saving among small-scale enterprises, this study aims to close this knowledge gap.

1.3 Justification of the Study

The study will assist in guiding the government on how they can mobilize, train and educate small-scale entrepreneurs on the need for saving and investment as they are significant contributors to the economy. Financial institutions namely banks, building societies, mortgage firms, and insurance companies will benefit by understanding the level of financial literacy of their clients and their behavior concerning the services and products they offer. The information gathered from the study will assist small-scale entrepreneurs' in improving their financial decision-making and confidence in managing finances relating to their businesses. They will be in a much better position in understanding the need to save and plan for their financial freedom, future investment, and financial risk management. Researchers may use the study as a resource to refer to when doing a related study in the future. The study's findings will also raise public awareness of the advantages of saving, and more small business owners will be encouraged to start saving.

2. Literature Review

2.1 Theoretical Literature Review

2.1.1 Life Cycle Theory

Franco Modigliani and Richard Brumberg developed a theory of spending in the early 1950s based on the notion that people make wise decisions about how much they want to spend at each age, limited only by the resources available throughout their life. An economic hypothesis called the Life Cycle Hypothesis (LCH) explains how people's spending and saving patterns change throughout their lives. According to the hypothesis, people try to balance their lifetime consumption by borrowing during times of low income and saving during times of high income. It is predicted that persons with higher earnings may save more money and are more intelligent than those with lower incomes. People with low salaries have less discretionary income, which is why this is the case. It also implies that households will behave

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sensibly and restrained as they plan for retirement and that they will have a full understanding of their future income flow, consumption levels, and life span.

According to the Life Cycle Hypothesis (LCH), people tend to spread out their consumption throughout their lives by saving money during times of high income and borrowing during times of low income. Spending too much at some point in the life cycle may be justified. The ability to predict future earning and saving periods to offset present and future spending justify deficit spending. This kind of spending management involves some forethought and restraint. The relationship between budgeting techniques and saving should be favorable in light of this.

2.1.2 Financial Literacy Theory

Financial literacy, according to Atkinson and Messy (2015), is the ability and confidence of investors to appreciate opportunities and financial risks to make informed decisions, know where to seek assistance, and take other useful actions that enhance their financial well-being. Financial literacy is also defined as an investor's understanding of financial concepts, and products, and the ability to appreciate opportunities and risks. Through the development of pertinent knowledge and skills in money management, financial literacy gives investors the power to overcome obstacles in the marketplace, particularly in today's advanced credit markets. As a result, financial literacy empowers and enables entrepreneurs to weather tough economic times by teaching them risk-management techniques like saving, diversification, debt management, financial planning, and insurance coverage. Therefore, financial literacy promotes good financial budgeting, planning, and control, as well as more efficient usage of financial products and services. Financially literate individuals are expected to be able to understand the importance of saving, managing their finances, and having proper financial management. The theory was useful in the study as it explains how financial literacy influences the saving behavior of individuals.

2.2 Empirical Literature Review

In a study to look into the present budgeting procedures of the biggest manufacturing enterprises in Lithuania, Klimaitiene & Ramanauskaite (2019). The focus of the study was on identifying the pertinent budgeting trends in the biggest industrial enterprises in Lithuania and contrasting those findings with those of similar studies conducted in other nations. The study's design was based on a questionnaire for an empirical study. The 22 largest Lithuanian enterprises were asked to complete a questionnaire to examine their existing budgeting procedures. According to cross-sectional analysis, businesses with good ratings for their budgeting techniques employ more modern approaches

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than businesses with middling ratings. The study concludes that the global trends in budgeting practices, which are supported by global research initiatives, are observed by Lithuanian companies. Further, the study concluded that the number of financial and non-financial indicators used for performance and budgeting is important when assessing the effectiveness of the created budget. The study recommended that to achieve higher budgeting efficiency companies should pay more attention to employees, their engagement, and motivation and Lithuanian companies need to adopt more sophisticated budgeting methods. However, the study did not bringout the relationship between budgeting and saving behavior.

Mohamed, Evans, & Tirimba (2015), conducted a study to evaluate the effects of organizational performance at the Dar es Salaam Bank headquarters in Hargeisa, Somaliland, using budgetary control approaches. The study concentrated on how responsibility accounting affects the effectiveness of organizations. Both descriptive and retrospective research designs were used in the study. Seventy Dar-Salaam Bank employees provided primary data, and secondary data was gathered from published sources. Statistical software for social scientists (SPSS) was used to analyze the data, which were then presented as frequency tables and conversations. According to research findings on the efficacy of budgetary management systems, responsibility accounting strengthens budget control and boosts productivity and efficiency. The study concluded that there is a positive relationship between an organization’s responsibility accounting system and performance and recommended that organizational staff needs to be trained on the existing budgetary control techniques to enhance business decision-making and improve efficiency as well as productivity. However, the study did not bring out the relationship between budgeting and saving behavior.

The impact of budgeting techniques on the financial performance of manufacturing small and medium-sized businesses in Nairobi County, Kenya, was examined by Mbogo, Olando, and Macharia in 2021. The study employed a self-administered cross-sectional survey to collect data and adopted a descriptive research methodology. Through the use of structural equation modeling, data from a survey of 156 manufacturing SMEs in the city of Nairobi was evaluated. The results of the study showed that budgeting practices have a positive and significant impact on the financial performance of manufacturing SMEs. It was concluded that strategic action in budgeting practices, such as planning for cash flows, resource allocation, activity coordination, and financial position monitoring, can improve the financial performance of manufacturing SMEs. The study advised the management of manufacturing SMEs to give budgeting procedures more attention because it enhances the performance of their business. The primary goal of the study was to determine how budgeting methods affected financial success, although it

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did not explicitly explain how budgeting techniques and saving behavior relate to one another.

Nafisatu (2018), investigated how East African Portland cement Limited's performance was impacted by the budget and budgetary control. The purpose of the study was to determine whether employee behavior and budgetary control are related, as well as how budgetary control affects business performance. The explanatory research design was used to describe the link between the independent and dependent variables in the study while the descriptive research design was used to describe the independent variable. Primary data was gathered using questionnaires,s, while secondary data came from the company's publicly available financial reports. The data were analyzed using statistical software for social sciences (SPSS), and the findings were displayed as tables and figures. The results of the investigation showed a 32.3,% low positive correlation between the two variables. The study found a strong correlation between budgetary control and employee behavior at 54.7% and a strong correlation between budgetary control and profit before tax at 54.4%. According to the report, the business should support the implementation of its budgets as intended. However, the study did not investigate if there was a relationship between saving behavior and budgeting strategies.

A thorough analysis of budgeting and financial control in government-owned organizations was carried out by Isaac, Lawal, & Okoli (2015). The Nigerian National Petroleum Cooperation was the subject of the study (NNPC). Secondary data came from the NNPC's yearly financial statements, files, memos, tax laws, and gazette, while primary data came from structured questionnaires given to respondents. According to the study's findings, all necessary stakeholders must be included in the budget's design and implementation to achieve effective budgeting and budgetary control. The study concluded that budgeting and budgetary control help a company operate effectively and produce a lot of work, and it suggested that everyone who matters be included in the budget process to guarantee overall goal attainment. However, the study did not bring out the relationship between budgeting practices and saving behavior.

The top 100 small and medium-sized businesses in Kenya were the subject of a study by Abongo (2017) , to determine how budgeting influences their financial performance. In the study, 100 SME owners and managers were surveyed using semi-structured questions that included both open-ended and closed-ended questions to gather primary data. The study used a descriptive approach to data analysis, and the results were shown in figures and tables. The study's conclusions showed that budget planning and budgetary evaluation methods had all been applied to a large extent, showing that the top 100 SMEs in Kenya had done the same. According to the study's findings,

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there is a substantial correlation between budgeting procedures and financial performance (R-value = 0.721), with financial performance accounting for 49% of the variance in the financial performance of the top 100 SME firms. Additionally, the study concluded that the top 100 SMEs' financial performance is positively impacted by budget planning, budget control, budget coordination, budget communication, and budget review processes. The report advises SMEs who have not implemented budgeting processes to do so to reap the benefits. The study did not explore the possibility of a connection between budgeting and saving behavior; instead, it simply examined the impact of the budgeting process on the financial performance of small and medium-sized businesses.

Previous studies by Mohamed, Evans &Tirimba (2015), Mbogo, Olando, & Macharia (2021), Nafisatu (2018), and Abongo (2018) analyzed the impact of budgeting on the financial performance of Dara-Salaam bank, Ministry of Education in Zambia, small and medium manufacturing enterprises, East African Portland cement and the top 100 SMEs in Kenya respectively. Both studies adopted descriptive research techniques to analyze data and agreed that application of a good budgetary system enhances financial performance and productivity. However, none of these studies examined the relationship between budgeting practices and saving behavior among small-scale entrepreneurs.

3. Methodology

3.1 Research Design

The study investigated the links between the independent variables of budgeting practices and the dependent variable of savings. Therefore, the study employed a correlational research approach. When examining the degree to which two or more variables co-vary that is, when changes in one variable are reflected in changes in the other researchers use the correlational research design (Creswell 2008).

3.2 Area of Study

One of the seven constituencies that make up Kisumu County, Kisumu Central Constituency is where the study was carried out. The six wards that makeup Kisumu Central Constituency Are Railways, Migosi, Shauri Moyo, Kaloleni Market, Milimani, Kondele, and Nyalenda. According to the most recent national population and housing survey, the constituency has a number of 240 and a population of about 168,892 censuses 2019, and the area in square kilometers is about 32.70.it is located in Kisumu city with the latitude and longitude coordinates of 0.1152ºS and 34.7409ºE. The constituency's major economic activity is trade and as it is well-known trade has always been identified as the key engine of the country’s economy. Hence, it is important

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to invest in this sector as it will boost the economy of Kisumu and the country at large. Considering savings facilitates investments it is important therefore to understand the determinants of saving for those involved in this sector. The choice of the study area was motivated by the increasing number of small businesses that reside in the area and depend on their business income. Secondly, the study area was selected because of its significance in the county's economy, in terms of creating employment, boosting productivity, and income generation. Thirdly, the study was selected because there are no previous studies on the influence of budgeting on savings among small-scale entrepreneurs in Kisumu's central constituency. For this reason, there was the need to carry out one.

3.3 Target Population

The target population is considered to be a group of individuals exhibiting similar characteristics from which a sample is drawn from (Ngina, 2020). The target population is a complete set of cases (Kombo & Tromp, 2011). The study was carried out in Kisumu Central Constituency, Kisumu County. The target population comprised registered small-scale entrepreneurs in Kisumu Central Constituency who have been in operating for at least two years. These entrepreneurs consisted of wholesale and retail shops, saloons/barbers/cosmetics, hardware, hotels/restaurants/guests, grocery/cereals, and tailoring.The target population was estimated to be 914 registered enterprises in Kisumu central constituency (Kisumu County Trade Department,2021).

Table 3. 1 Target Population

TYPE OF BUSINESS	TARGET POPULATION
General retail shops	184
Saloon/ barber/ cosmetics shop	164
Grocery &cereals	102
Hotels/restaurants/guests	193
Wholesale shops	94
Hardware	106
Tailoring	71
Total	**914**

Source: (Kisumu County Trade Department, 2021)

3.4 Sample Method and Sample Size

Sampling is the process of choosing in advance, based on the sort of analysis to be carried out, the number of respondents, or observations to be obtained from the target population. It provides a method of picking certain segments of the population to get the data required (Bryman & Bell, 2015). The sample size for the investigation was determined using the Taro Yamane

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(1967) approach. Yamane (1967) used the formula below to calculate the sample size for a given population with a 95% confidence level with a 0.05 accuracy; $n = N/ 1+N (e)^2$

Where, n= sample size, N=population size, and e= the level of precision Therefore, $n=914/1+914(0.05)^2 = {}^{914}/_{3.285} = 278$ respondents. The study used simple random sampling to select the sample.

Table 3. 2 Sample Size Distribution

Type of business	**Sample size**
General retail shops	56
Saloon/ barber/ cosmetics shop	50
Grocery &cereals	31
Hotels/restaurants/guests	59
Wholesale shops	29
Hardware	32
Tailoring	21
Total	**278**

Source: (Kisumu County Trade Department, 2021)

3.5 Data Collection Method

3.5.1 Data Sources and Type

The study used primary data sources. Structured questionnaires were administered to the respondents who were registered and licensed small-scale entrepreneurs operating within Kisumu central constituency and have been in business for more than 2 years.

3.5.2 Data Collection procedure

Questionnaires were employed in the study to gather primary data. Semi-structured questions made up the questionnaire. Since they are affordable, take little effort from the researcher, and the data acquired is uniform, questionnaires were the preferred method of gathering data. This made data compilation easy. The one significant drawback was that for responders to provide appropriate answers to the questions posed, they needed to be able to read and comprehend.

3.5.3 Data Collection Instruments

Primary sources were used to get the information for this investigation. Structured questionnaires were used to gather the main data. A questionnaire is a set of questions used as a research instrument to gather information from respondents (Mugenda & Mugenda, 2003). In this study, a semi-structured questionnaire comprising both closed- and open-ended items were used. Closed-ended questions required respondents to select an answer from a list of alternatives, whereas open-ended questions allowed respondents to react

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based on their own opinions. The study objectives were used to create the questionnaire. The study used both qualitative and quantitative research methods to collect data.

3.5.4 Validity and Reliability of the Research Instruments

According to Mugenda & Mugenda (2003), validity is the accuracy and meaningfulness of inferences, which are based on the research results. It is the degree to which results obtained from the analysis of data represent the variables of the study. To test validity, the study used a content and construct validity test. Content validity shows whether the questions and statements fully represent every element of the research questions and objectives of the study. Construct validity on the other hand ensures that the questions and statements are correctly and clearly stated.

To test the reliability of the questionnaire, the study piloted it on 28 respondents who were excluded from the final study. The study then used Cronbach's Alpha to test reliability. Brown (2002), indicates that Cronbach's alpha reliability coefficient normally ranges between 0 (if no variance is consistent) and 1 (if all variances are consistent). The results in Table 3.3 show that budgeting practices are 0.828 and saving behavior is 0.870. All the variables showed a strong alpha value of above 0.7 which indicates that the instrument is strongly reliable

Table 3.3 Reliability Statistics

	Cronbach's Alpha	N of Items
Budgeting Practices	.828	6
Saving Behavior	.870	6

Source: Research Findings (2022)

3.6 Data Analysis and Presentation

The respondents' data was compiled, coded, and reviewed for quality and completeness. The fundamental characteristics of the study's data are described using descriptive statistics. They offer summaries of the sample graphics analysis, and they serve as the foundation for almost all quantitative data analyses. The results of the analysis were presented using tables and graphs, with percentages and frequencies being used for interpretation. This was achievedby tallying up responses, calculating the level of variation of responses, and also describing and interpreting data per objectives of the study and assumptions by use of Statistical Package for Social Sciences (SPSS) to communicate the findings of the study. Quantitative data and aspects of data that were obtained from open-ended questions will be tested using content analysis. Multiple regression was performed to establish the correlation between the independent and dependent variables.

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Equation (3) shown below was used to investigate the influence of budgeting practices on Savings behavior among small-scale entrepreneurs in Kisumu Central Constituency.

Regression Equation

$$\boldsymbol{ESB_i = \beta_0 + \beta_1 MS_i + \beta_2 FP_i + \beta_3 TSP_i + e_i} \quad \textbf{.. Eq. (3)}$$

Where; $\boldsymbol{ESB_i}$**-** entrepreneurs i saving behavior which is the dependent variable.

$\boldsymbol{\beta_1 MS_i}$**-** monitoring spending of entrepreneur i

$\boldsymbol{\beta_2 FP_i}$**-** financial planning of entrepreneur i

$\boldsymbol{\beta_3 TSP_i}$ **-** tracking spending pattern of entrepreneur i

$\boldsymbol{\beta_0, \beta_1, \beta_2, \beta_3}$-regression coefficients $\boldsymbol{e_i}$**-** Error term and **i-** the ith individual in the population

4.0 Results and discussion

4.1 Response Rate

The study had a target population of 250 out of which 233 participated and questionnaires were returned for analysis giving a 93.2% response rate. Targeting small business owners in the Kisumu Central Constituency and hand-delivering questionnaires to respondents both contributed to the high response rate. A study is regarded to have a questionnaire return rate of more than 50%, according to Linder and Wingerbach (2002). The authors add that surveys with a high response rate give some comfort that the results can be extrapolated.

4.2 Demographic information

4.2.1 Age Group

Figure 4.1 shows age group-wise distribution stats indicate the survey surfaced 30.47% (34-40 years) age group as the majority with the least statistics being observed for the 18-24 years age group (9.44%).

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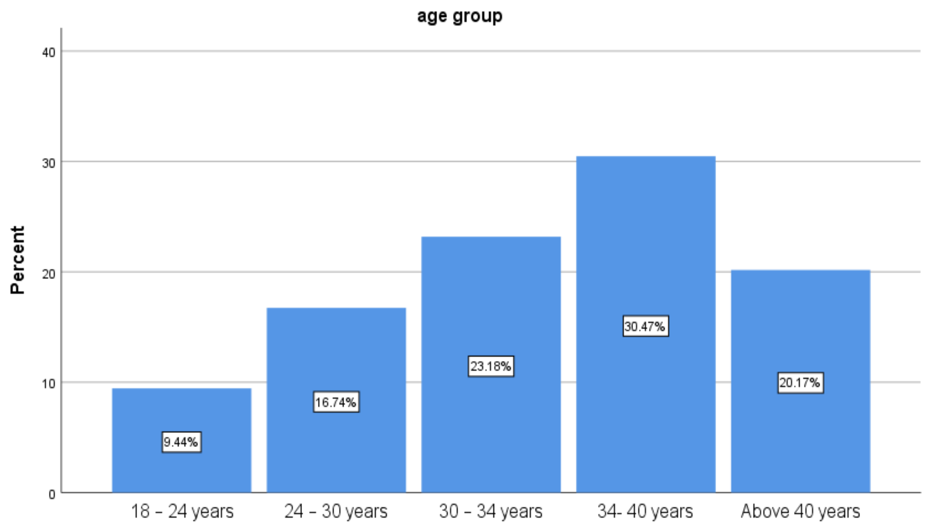
Figure 4. 1 Age Group



Source: **Research Findings (2022)**

4.2.2 Education Level

Table 4.1 shows the statistics for education level which indicates that most of the participants have a degree (39.5%) while the least had primary education (8.2%).

Table 4. 1 Education Level

	Frequency	Percent
Primary	19	8.2
Secondary	51	21.9
Diploma	71	30.5
Degree	92	39.5
Total	**233**	**100.0**

Source: Research Findings (2022)

4.2.3 Type of Business

Figure 4.2 shows the statistics for type of business shows that there is almost equal distribution in terms of hotel/restaurant/guests and general retail shop businesses, the least number is observed for tailoring business (9.01%).

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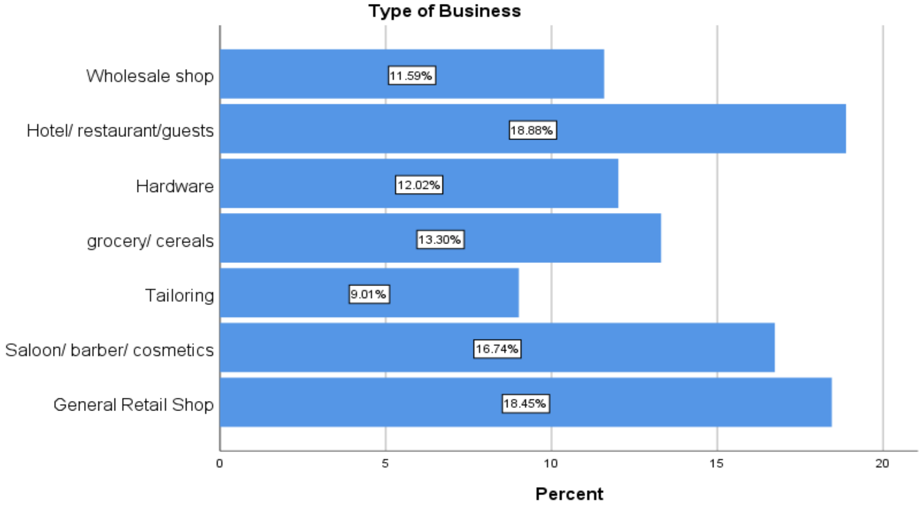
Figure 4. 2 Type of Business



Source: Research Findings (2022)

4.2.4 Years in business

Table 4.3 shows years in business statistics. Most of the participants have been in business for between 4-10 years (55.4%). The least stat is observed for those who have been in business for less than two years (6.0%).

Table 4. 2 Years in Business

		Frequency	Percent
Valid	Less than 2 years	14	6.0
	3 years	51	21.9
	4 – 10 years	129	55.4
	More than 10 years	39	16.7
	Total	233	100.0

4.2.5 Number of employees

Table 4.3 shows the number of employees statistics. The study established that most of the participants have 1-9 employees (92.3%). The least stat was observed for participants with between 10-19 employees (7.7%).

Table 4.3 Number of Employees

		Frequency	Percent
Valid	1 – 9	215	92.3
	10 – 19	18	7.7
	Total	233	100.0

Source: Research Findings (2022)

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4.2.6 Main source of capital

Table 4.4 shows the main source of capital. Most participants use both sources of capital (67.0%). The minority borrow money from friends and family (3.4%).

Table 4. 3 Main source of capital

		Frequency	Percent
Valid	Loan	44	18.9
	Savings	25	10.7
	Borrowed money from friends and family	8	3.4
	Both	156	67.0
	Total	233	100.0

Source: Research Findings (2022)

Correlation Analysis

The study established a significant positive association between debt management and saving behavior of Pearson correlation *(α=.919, p=.000)* shown in Table 1.

Table 1 Correlation Analysis

		Saving Behavior	Budgeting Practices
Saving Behavior	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	233	
	Sig. (2-tailed)	.000	
	N	233	
Budgeting Practices	Pearson Correlation	.919**	1
	Sig. (2-tailed)	.000	
	N	233	233
	Sig. (2-tailed)	.000	.000
	N	233	233

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

Source: Research Findings (2022)

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Regression Analysis

4.3 The influence of budgeting practices on saving behavior among small-scale entrepreneurs in Kisumu Central Constituency

Regression

Table 4. Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.927[a]	.859	.857	.13367

a. Predictors: (Constant), Tracking Spending Patterns, Financial Planning, Monitoring Spending

Source: Research Findings (2022)

Together, Tracking Spending Patterns, Financial Planning, and Monitoring Spending impact saving behavior by 85.9%. Other factors outside the model included in the error term explain the 14.1% variation in saving behavior.

Table 4. 4 ANOVA[a]

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	24.973	3	8.324	465.863	.000[b]
	Residual	4.092	229	.018		
	Total	29.064	232			

a. Dependent Variable: Saving Behavior

b. Predictors: (Constant), Tracking Spending Patterns, Financial Planning, Monitoring Spending

Source: Research Findings (2022)

As per the ANOVA statistics, the model is accepted.

Table 4. Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	.377	.137		2.745	.007
	Monitoring Spending	.376	.039	.431	9.588	.000
	Financial Planning	.333	.050	.289	6.622	.000
	Tracking Spending Patterns	.179	.021	.305	8.697	.000

- Dependent Variable: Saving Behavior

Source: Research Findings (2022)

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$$\mathbf{ESB = .377 + .376_{MS} + .333_{FP} + .179_{TSP} + .137}$$

Tracking Spending Patterns, Financial Planning, and Monitoring Spending significantly influences saving behavior ($p<0.05$). An increase of 1 unit in spending pattern causes an increase of .376 units in saving behavior, an increase of 1 unit in financial planning causes an increase of .333 units in saving behavior, and finally an increase of 1 unit in monitoring spending terms causes an increase of .179 units in saving behavior. The study reveals a strong positive and significant association between budgeting and saving behavior thus rejecting the null hypothesis.

These results are validated by the findings of a study by Mohamed, Evans, and Tirimba (2013) carried out a study to evaluate the organizational performance of the Dar es Salaam Bank headquarters in Hargeisa, Somaliland, using budgetary control approaches. The study concentrated on how responsibility accounting affects the effectiveness of organizations. Both descriptive and retrospective research designs were used in the study. Seventy Dar-Salaam Bank employees provided primary data, and secondary data was gathered from published sources. Statistical software for social scientists (SPSS) was used to analyze the data, which were then presented as frequency tables and conversations. The effectiveness of budgetary control strategies was studied, and the results showed that responsibility accounting strengthens budget management and boosts effectiveness and productivity.

These study's results are further validated by the findings of a study by Mutinta (2018) who examined the effectiveness of budgeting control system in a government based institution in Zambia. The study focused on investigating the relationship between budgetary controls and financial performance of Ministry of Education. Data was collected using a self-designed interview questionnaire from 37 sampled respondents from a target of 50 respondents. The study was purely non experiment exploratory, descriptive in nature. SPSS and Microsoft office package were used for data entry, analysis and report writing. The study findings indicated a low implementation of budgetary controls, low perceived financial performance through slightly above average with budgeting and planning.

5. Conclusion and recommendation

Conclusion

Influence of Monitoring Spending on Saving Behavior among Small Scale Entrepreneurs

The study findings indicate that monitoring spending significantly influences saving behavior among small scale entrepreneurs. An increase of 1 unit in spending pattern causes an increase of .376 units in saving behavior. The study therefore rejected the null hypothesis. The study also found out that by small scale entrepreneurs setting aside funds for expenses and monitoring

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their expenditures they are able to avoid overspending thus improving their savings. Based on the study findings regarding objective one, the study concludes that monitoring spending have a significant relationship on saving behavior among small scale entrepreneurs. Therefore, monitoring spending influences small scale entrepreneurs in Kenya.

Influence of Financial Planning on Saving Behavior among Small Scale Entrepreneurs

The study findings revealed that financial planning had an effect on saving behavior among small scale entrepreneurs. From the findings, the study found a significant and positive association between financial planning and saving behavior and rejected the null hypothesis. The results implied that an increase of 1 unit in financial planning causes an increase of .333units in saving behavior. The study further revealed that through financial planning small scale entrepreneurs are able to plan on how to spend and what portion to save from their business income. The study therefore concludes that financial planning positively influence saving behavior among small scale entrepreneurs in Kenya.

Influence of Tracking Spending Pattern on Saving Behavior among Small Scale Entrepreneurs

Concerning objective three of the study, findings indicate that tracking spending pattern had a positive and significant association on saving behavior thus rejected the null hypothesis. the results implied that an increase of 1 unit in tracking spending terms causes an increase of .179 units in saving behavior. From the findings the study also revealed that by tracking expenditure against income small scale entrepreneurs are able to ensure that their expenditure does not exceed their available income. The study therefore concludes that tracking spending pattern positively influence the saving behavior among small scale entrepreneurs in Kenya.

Recommendations of the Study

The study recommends that aspects of financial literacy such as budgeting practices should be imparted among small scale entrepreneurs in Kenya. This will enable them to grasp knowledge relating to monitoring expenditure, financial planning and tracking spending pattern. By having knowledge in financial planning, small scale entrepreneurs will be able to improve their saving habits through proper planning of their finances thus reducing or do away with financial risk. On the other hand, monitoring spending through setting aside funds to cater for expenses aid in smooth management of the business while tracking expenditure is essential in comparing what has been spent with regard to what was planned. Knowing

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where their money goes will help small scale entrepreneurs avoid getting themselves into unnecessary debts that might be caused by overspending and poor financial decisions.

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