Financial Inclusion and the Welfare Puzzle: Empirical Evidence from Kenyan Households

Chepngeno E. Maina

Faculty of Business and Leadership, St Paul's University, Kenya;

ABSTRACT

Financial inclusion has emerged as a fundamental strategy for improving household welfare and fostering equitable economic growth in emerging nations. Nonetheless, despite enhanced financial inclisin Kenya; especially via mobile money, their direct effect on household social welfare remains ambiguous. This study aimed to evaluate the impact of financial inclusion on household wellbeing in Kenya. The study utilizes nationally representative data from the Afrobarometer survey to analyze critical variables, including ownership of bank accounts, mobile phones, and mobile money accounts. Descriptive statistics indicate extensive digital financial access, with 94.5% of respondents possessing mobile phones and 90.8% maintaining mobile money accounts, although just 50.4% physically own a bank account. Nonetheless, regression analysis indicates no statistically significant correlation between financial inclusion and household welfare (R^2 = 0.000; p = 0.693), implying that mere access does not guarantee enhanced well-being. Rooted in the Bergson–Samuelson Social Welfare Theory, the study asserts that financial inclusion requires supplementary measures, such as financial literacy, rural infrastructure enhancement, and inclusive lending systems, to yield significant welfare improvements. The results demonstrate that financial inclusion is essential yet insufficient for enhancing social welfare, especially for low-income and excluded groups. Additional research employing multivariate and longitudinal methodologies is advised to enhance comprehension of the circumstances in which financial inclusion results in equitable and enduring welfare advancements.

Keywords: Financial inclusion, Access, Households, Welfare, social welfare, Household social welfare

INTRODUCTION

According to Tedds, Crisan and Petit (2020), a household consists of persons, either related or unrelated, who reside together and share resources to fulfill fundamental needs such as sustenance, shelter, healthcare, and education. Similarly, Terefe et al. (2024) holds that household welfare refers the comprehensive well-being of individuals and acts as a vital metric for assessing quality of life, human development, and economic advancement. It includes tangible factors such as income and assets, alongside access to vital services and the ability to mitigate risks and invest in future opportunities. Terefe et al. (2024) note that typical variables for evaluating household welfare encompass consumption expenditure, income levels, asset ownership, and access to healthcare and educational facilities. Improving household welfare according to Ayoo (2022) is essential for poverty alleviation, inclusive growth, and social equity which is a fundamental components of national development strategies.

In recent years, financial inclusion has become a crucial mechanism for enhancing household welfare, especially in developing economies such as Kenya. Tay, Tai and Tan (2022) explain that financial inclusion is characterized by access to and effective utilization of formal financial services like savings, credit, insurance, and digital payments. It enables households to mitigate financial risks, stabilize consumption, participate in productive endeavors, and enhance their quality of life. In Kenya, mobile financial innovations such as M-Pesa have markedly increased access to financial services, enabling previously unbanked communities to participate in the formal financial system (Udohaya, 2025).

This supports the notion that financial inclusion improves household wellbeing not just by augmenting income but also by enabling diverse spending behaviors (Zhang & Posso, 2019; Chakrabarty & Mukherjee, 2022;

Gathoni, 2018). Zhang and Posso (2019) demonstrate that financial inclusion enhances income, particularly for low-income households, hence facilitating greater economic flexibility. Chakrabarty and Mukherjee (2022) present empirical evidence demonstrating that financial inclusion fosters diversification in household consumption from food to non-food products, signifying improved welfare. Gathoni (2018) substantiates this further by demonstrating that access to integrated mobile banking affects spending habits towards productive investments such as education and microenterprise, hence reinforcing the assertion that financial inclusion transforms and expands household expenditure patterns.

The significance of financial inclusion in promoting equitable development and alleviating poverty is universally recognized. India's Pradhan Mantri Jan Dhan Yojana (PMJDY) has provided banking services to millions of underserved households, promoting savings habit and facilitating the transfer of government subsidies (Gupta & Thakur, 2020). These activities are predicated on the belief that including households into the formal financial system can enhance welfare by facilitating more efficient production and consumption decisions (Gupta & Thakur, 2020). Kenya's preeminence in mobile money adoption has concurrently reduced transaction costs, enhanced financial inclusion, and fostered innovations in lending and savings (Wachira, 2023).

Despite initiatives by the government and corporate sector to enhance financial access, inequalities in both access and utilization remain. Rural communities, women, and youth are especially susceptible to financial exclusion due to infrastructural deficiencies, inadequate financial knowledge, socio-cultural obstacles, and affordability limitations (Omosa, 2022). Although financial goods are becoming more accessible, mere availability does not ensure enhanced welfare; rather, the capacity and opportunity to utilize these services effectively are crucial. This highlights the necessity to explain not only who is financially included but also how and to what degree financial inclusion contributes to improved household wellbeing. At lower income levels, household expenditure primarily focuses on essential needs (Asuamah, 2024); however, as income increases often due to improved access to financial services, households broaden their consumption to encompass education, superior quality food, healthcare, and minor investments. The diversification of the consumer basket, frequently assessed by entropy indices (Theil & Finke, 1983 cited in Chakrabarty & Mukherjee, 2022) is widely acknowledged as a robust indicator of enhanced economic welfare. In accordance with this approach, the current study utilizes Afrobarometer Round 10 data to investigate the impact of access to formal financial services, such as bank accounts and mobile money, on essential household welfare indicators in Kenya, including income stability, food access, education, and healthcare. This study aims to address the empirical gap by evaluating nationally representative data from Afrobarometer Round 10, with a focus on Kenya.

This study empirically addresses a significant knowledge gap by offering substantial micro-level evidence about the relationship between financial inclusion and household welfare, utilizing representative data from Kenya. It also differentiates the effects of various financial instruments—such as mobile money compared to traditional banking—to ascertain which modes of financial access exert the most significant influence. Theoretically, the study enriches the discussion on the financial inclusion-welfare relationship by utilizing a multidimensional perspective that encompasses income security, consumer behaviors, and access to social services. The research corresponds with multiple Sustainable Development Goals (SDGs), specifically SDG 1 (No Poverty), SDG 3 (Good Health and Well-being), SDG 4 (Quality Education), SDG 5 (Gender Equality), and SDG 10 (Reduced Inequality). This study's insights aim to guide targeted financial inclusion policies and poverty alleviation strategies in Kenya and Sub-Saharan Africa, providing essential direction to policymakers, financial service providers, development partners, and civil society in creating inclusive and welfare-enhancing financial ecosystems.

LITERATURE REVIEW

This study is anchored on Bergson–Samuelson Social Welfare (BSSW) Theory, established by Abram Bergson in 1938 and further modified by Paul Samuelson in 1956, provides a formal framework for assessing community welfare by aggregating individual utility levels via a Social Welfare Function (SWF) (Suzumura, 2021; Schäfer & Ott, 2022). This function, encapsulates the impact of economic policies or interventions on the welfare of individuals within a society. The theory posits that social welfare is contingent upon individual utilities, is based on ordinal preferences, and allows for interpersonal utility comparisons via explicit value judgments (Suzumura,

2021; Schäfer & Ott, 2022). It adheres to the Pareto principle and presumes complete and transitive preferences among individuals. The theory has been fundamental in welfare economics by offering a normative framework for evaluating the distributional effects of economic activity (Barr, 2020).

Within the framework of financial inclusion and household welfare in Kenya, the BSSW theory is pertinent as it elucidates how improved access to formal financial services such as savings accounts, credit facilities, and insurance can augment individual utility and, consequently, overall social welfare. Previously excluded households that acquire access to financial services can better stabilize consumption, invest in health and education, and endure economic shocks, so enhancing their total utility. The enhancement of individual well-being contributes to the overall social welfare function. The BSSW framework offers a theoretical rationale for policy initiatives aimed at enhancing financial inclusion in Kenya to improve welfare outcomes. Furthermore, the theory advocates for the assessment of these initiatives not solely based on economic growth but also regarding their redistributive and equity-enhancing impacts, particularly for vulnerable or low-income groups.

Empirical data in several contexts highlights the beneficial correlation between financial inclusion and household welfare. Zhang and Posso (2019) demonstrate, using an extensive household finance survey from China, that financial inclusion markedly enhances household income and diminishes income inequality, especially within low-income demographics. Ibrahim et al. (2019) analyze data from 49 Sub-Saharan African nations and determine that savings, access to credit, ATMs, and digital infrastructure are essential factors for poverty alleviation. These findings corroborate the conclusion of Matekenya, Moyo, and Jeke (2021) that access to financial services in Sub-Saharan Africa improves human development outcomes by facilitating household investments in education, health, and income-generating activities. These studies collectively emphasize financial inclusion as a developmental catalyst that enhances income levels, economic resilience, and opportunities for excluded groups.

In addition to income, financial inclusion has been demonstrated to affect spending patterns and the diversification of welfare. Chakrabarty and Mukherjee (2022) utilize panel data from India to illustrate that enhanced access to financial institutions promotes diversification of consumption from food to non-food commodities, a critical indicator of elevated living standards. Gathoni (2018) asserts that integrated mobile banking services positively impact household savings, borrowing, and investing habits in Kenya, particularly within rural and agricultural populations. She warns that these advantages are not evenly distributed; affluent households disproportionately benefit, indicating that in the absence of targeted interventions, mobile-based financial inclusion may intensify inequality. Tawiah et al. (2025) demonstrate that rural–urban welfare differences in Ghana are partially attributable to unequal access to financial services; however, financial inclusion can mitigate these disparities when accompanied by supportive rural infrastructure.

Empirical research in Nigeria, Ghana, and Ethiopia corroborates the welfare-enhancing effects of financial inclusion, highlighting the need of inclusive execution. Joan, Uche, and Ebele (2022) utilize Findex data and propensity score matching to demonstrate a substantial positive impact of financial inclusion on the welfare of Nigerian households, especially when access is facilitated via digital and branchless platforms. Sakyi-Nyarko et al. (2022) develop a multidimensional financial inclusion index for Ghana, demonstrating that enhanced inclusion positively impacts food security, healthcare accessibility, and education—essential Sustainable Development Goals (SDGs). Hussen and Mohamed (2023) affirm comparable welfare improvements in Ethiopia, highlighting that financial literacy, cellphone ownership, and proximity to banks are essential factors in promoting inclusion. These studies emphasize that financial inclusion is inadequate without supplementary initiatives in financial education, rural outreach, and regulatory innovation to guarantee fair welfare improvements across populations.

RESEARCH METHODOLOGY

This study used a quantitative research design using secondary data from Afrobarometer Round 10, which includes a representative sample of 2400 Kenyan households in 2024. A descriptive and inferential statistical approach were adopted to analyze the relationship between financial inclusion indicators and household welfare outcomes.

FINDINGS AND DISCUSSIONS

Demographics

Study results presented in table 1 shows that, the gender distribution of the Afrobarometer survey respondents revealed an equal division between male and female participants. Among the 2,400 respondents, 1,201 (50.0%) were male and 1,199 (50.0%) were female. This equitable representation guarantees that the survey captures perspectives from both genders equally, hence augmenting the trustworthiness and inclusiveness of the results.

Further, study results showed that the age distribution of Afrobarometer respondents indicated that the majority were predominantly young adults. A total of 716 respondents (29.8%) were aged 18–25 years, while 695 respondents (29.0%) were aged 26–35 years. Individuals aged 36–45 years comprised 442 (18.4%), while those aged 46–55 years were 248 (10.3%), and 299 (12.5%) were above 55 years old. This suggests that around 59% of the respondents were under the age of 36, suggesting a youthful demographic with possible ramifications for policymaking, notably in employment, education, and technological access.

Table 1 Respondents Demographic Characteristics

Characteristics		Frequency	Percent
Gender	Male	1201	50.0
	Female	1199	50.0
	Total	**2400**	**100.0**
Age	18-25 years	716	29.8
	26-35 years	695	29.0
	36-45 years	442	18.4
	46-55 years	248	10.3
	Over 55 years	299	12.5
	Total	**2400**	**100.0**

The educational level of Afrobarometer respondents exhibited a varied spectrum of schooling levels, with the majority having attained at least secondary education. Among the 2,400 respondents, the predominant group (30.3%, 728) indicated having completed secondary or high school education. This was succeeded by 18.3% (438) respondents possessing post-secondary qualifications, including diplomas from colleges or polytechnics, and 17.4% (418) having finished primary education. A minority had completed only primary education (9.2%) or some secondary education (10.4%). Higher education attainment was few, with 5.9% (142) respondents having completed university and merely 0.5% (12) respondents possessing postgraduate degrees. Significantly, (3.4% (82) respondents possessed no formal education, whilst 1.1% (27) respondents had solely informal education. The data indicate that although a substantial segment of the population has achieved basic and secondary education, access to higher education is constrained, potentially affecting career prospects and socioeconomic advancement.

Table 2 Level of Education

	Frequency	Percent (%)
No formal schooling	82	3.4
Informal schooling only (including Koranic schooling)	27	1.1
Some primary schooling	221	9.2
Primary school completed	418	17.4

Intermediate school or Some secondary school / high school	249	10.4
Secondary school / high school completed	728	30.3
Post-secondary qualifications, other than university e.g. a diploma or degree from a polytechnic or college	438	18.3
Some university	75	3.1
University completed	142	5.9
Post-graduate	12	.5
Refused	7	.3
Don't know	1	.0
Total	**2400**	**100.0**

Moreover, this study sought to establish the employment of the respondents due to its central role in social welfare. Study results presented in Table 3 revealed that respondents indicates differing levels of labor force participation. Among 2,400 respondents, 35.2% (844) indicated they were unemployed yet actively seeking employment, being the largest demographic. Additionally, 25.0% (600) respondents were not employed nor actively seeking employment, while 582 (24.3%) were in full-time positions and 15.4% (370) respondents were in part-time roles. Merely 0.2% (4) respondents declined to respond. The results reveal that over half of the respondents (60.2%) were not engaged in full-time employment, with a considerable number actively pursuing job opportunities. This indicates significant labor market pressure and highlights the crucial role of work in improving social welfare and economic stability, a primary focus of this study.

Table 3 Employment Status of the Respondents

	Frequency	Percent
No (not looking)	600	25.0
No (looking)	844	35.2
Yes, part time	370	15.4
Yes, full time	582	24.3
Refused	4	.2
Total	**2400**	**100.0**

Study results presented in table 4 shows that the respondents' current living conditions indicates a varied perception of well-being among survey participants. Among the 2,400 respondents, 29.1% (699) assessed their living conditions as fairly acceptable, and 4.2% (100) as very good, resulting in a cumulative 33.3% (799) who perceived their circumstances positively. In contrast, 26.3% (631) characterized their conditions as quite poor and 21.8% (522) as extremely poor, indicating that nearly half 48.1% (1,153) of the respondents perceived their living standards negatively. A neutral position was adopted by 18.5% (445), whereas an insignificant number either declined to respond (0.0%, 1) or were uncertain (0.1%, 2). The findings indicate that although some respondents recognize enhancements in their quality of life, a substantial number still endure challenging circumstances, underscoring ongoing socioeconomic inequities that may necessitate focused governmental responses.

Table 4 Respondents Present Living Conditions

	Frequency	Percent
Very bad	522	21.8

Fairly bad	631	26.3
Neither good nor bad	445	18.5
Fairly good	699	29.1
Very good	100	4.2
Refused	1	.0
Don't know	2	.1
Total	**2400**	**100.0**

The descriptive statistics of financial inclusion indicators are presented in table 5. The respondents were asked whether they personally had a bank account or if a member of their household did. The replies were classified into five categories, facilitating a clearer comprehension of individual and household financial inclusion. The findings indicate that 50.4% (1,210) of participants possess a bank account, reflecting a modest degree of direct financial inclusion. Furthermore, 17.3% (414) indicated that another individual in their household had a bank account, implying indirect access to formal financial services. Nonetheless, 29.9% (717) indicated that no member of their household had a bank account, underscoring a substantial segment of the population that remains financially marginalized. A minor proportion either declined to respond (0.8%, 20) or were uncertain (1.6%, 39). These statistics indicate that whereas fifty percent of the population use formal financial services, approximately one-third is entirely excluded. This emphasizes the necessity for specific financial inclusion policies and initiatives to integrate marginalized households into the formal financial system.

Additional findings revealed that an overwhelming majority, 94.5% (2,267), owned a mobile phone, demonstrating nearly universal access to mobile technology among participants. An extra 3.3% (79) said that another individual in the household owned a mobile phone, but merely 2.0% (49) asserted that no one in the household owns one. A minimal quantity of respondents either declined to respond (0.0%, 1) or were uncertain (0.2%, 4). The data indicate exceptionally high levels of mobile phone ownership, which is crucial for digital connectivity, information access, and mobile financial services such as mobile money. The widespread ownership suggests significant possibilities for utilizing mobile platforms in service provision, financial inclusion, and public communication initiatives.

The results indicate that a significant majority, 90.8% (2,178), has a mobile money account, demonstrating extensive acceptance and accessibility of digital financial services. An extra 3.9% (94) indicated that another individual in their family possesses an account, however 3.6% (87) asserted that no one in the household has a mobile money account. A limited proportion of respondents either declined to respond (0.5%, 13) or were uncertain (1.2%, 28). The data indicate that mobile money has attained extensive penetration among households, with over ninety percent of respondents having direct access. This extensive ownership illustrates the essential function of mobile financial services in facilitating transactions, savings, and access to financial instruments, especially in regions where conventional banking services are scarce.

Table 5 Financial Inclusion Indicators

Characteristics		**Frequency**	**Percent**
Own a bank account?	No, no one in the household owns	717	29.9
	Someone else in household owns	414	17.3
	Yes (personally owns)	1210	50.4
	Refused	20	.8
	Don't know	39	1.6
	Total	**2400**	**100.0**
	No, no one in the household owns	49	2.0

Own a mobile phone?	Someone else in household owns	79	3.3
	Yes (personally owns)	2267	94.5
	Refused	1	.0
	Don't know	4	.2
	Total	**2400**	**100.0**
Own a mobile money account	No, no one in the household owns	87	3.6
	Someone else in household owns	94	3.9
	Yes (personally owns)	2178	90.8
	Refused	13	.5
	Don't know	28	1.2
	Total	**2400**	**100.0**
Mobile phone access to internet	No (Does not have Internet access)	794	33.1
	Yes (Has Internet access)	1466	61.1
	Not applicable (does not personally have mobile phone)	133	5.5
	Don't know	7	.3
	Total	**2400**	**100.0**

Descriptive statistics on household social welfare are presented in table 6. The scale used to assess the frequency of respondents' engagement in specific behaviors or activities. The scale was coded as follows: 8 = Don't know, 9 = Declined to respond, 0 = Never, 1 = Occasionally, 2 = Multiple instances, 3 = Numerous occasions, and 4 = Consistently. The findings revealed that a significant proportion of respondents exhibited minimal participation, with 42.1% (1,011) asserting they never participated in the activity, and 21.2% (509) reporting interaction only once or twice. Additionally, 20.7% (496) participated multiple times, 12.3% (295) frequently, and merely 3.6% (87) indicated consistent engagement. An insignificant percentage of respondents either declined to answer (0.0%, 1) or were uncertain (0.0%, 1). The data indicate that although a portion of the population participates often, the overall trend reveals limited or infrequent engagement by the majority, potentially reflecting issues of accessibility, awareness, or relevance of the assessed activity.

Further, the findings indicated that approximately 49.6% (1,191) of respondents reported never experiencing a lack of water, suggesting a rather constant access for this demographic. A significant percentage of respondents encountered varying degrees of water scarcity: 15.2% (364) experienced it once or twice, 16.7% (401) multiple times, and 10.9% (262) frequently. Alarmingly, 7.5% (180) indicated a consistent lack of access to water, highlighting chronic water deprivation. A minimal number declined to respond (0.0%, 1) or were unaware (0.0%, 1). The findings indicate that although most individuals have reliable access to water, a substantial portion of the population has intermittent to regular shortages, emphasizing enduring disparities in water availability that may necessitate immediate legislative and infrastructure measures.

Additionally, the findings revealed that merely 34.3% (823) of participants reported never experiencing a lack of medical treatment, implying that reliable access to healthcare is not assured for most individuals. Conversely, a total of 65.3% indicated experiencing some degree of deprivation: 17.5% (419) having gone without care once or twice, 21.1% (506) several times, 15.0% (361) many times, and 11.8% (282) consistently. A mere 0.4% (9 individuals) responded with "don't know." The findings indicate significant difficulties in accessing healthcare, with more than two-thirds of the population encountering occasional to frequent deficiencies in medical care. This underscores systemic constraints, including financial, geographic, or infrastructural, that must be addressed to guarantee fair access to health services.

The results also showed that 48.3% (1,158) of respondents reported never lacking cooking fuel, suggesting that

nearly half of the population had consistent access to this vital resource. Nonetheless, 51.7% encountered varying degrees of fuel insecurity: 19.1% (458) had experienced fuel deprivation once or twice, 18.0% (433) numerous times, 11.2% (269) frequently, and 3.4% (81) consistently. Only one respondent (0.0%) expressed uncertainty. The data indicate that although cooking fuel is generally accessible for several families, more than half have experienced intermittent shortages. This indicates that access to affordable and reliable fuel sources continues to be a challenge for a substantial segment of the population, affecting health, nutrition, and overall family well-being.

The last indicator's results showed that a significant degree of income instability among participants. Merely 10.5% (252) reported consistently receiving cash income, suggesting that dependable money inflow is rare for the majority. A total of 89.2% encountered cash difficulties to differing extents: 17.1% (410) experienced it once or twice, 28.7% (690) several times, 26.1% (627) many times, and 17.1% (411) consistently. A minimal quantity either declined (0.1%, 3) or was unaware (0.3%, 7). The findings indicate prevalent and recurrent instances of income deprivation, with almost half of the respondents (43.2%) encountering it frequently or consistently. This signifies profound financial instability and highlights the pressing necessity for comprehensive economic policies and social protection initiatives to bolster home sustenance.

Table 6 Household Welfare Indicators

N = 2400	4	3	2	1	0	9	8
How often gone without food?	3.6	12.3	20.7	21.2	42.1	0.0	0.0
How often gone without water?	7.5	10.9	16.7	15.2	49.6	0.0	0.0
How often gone without medical care?	11.8	15.0	21.1	17.5	34.3	11.8	0.4
How often gone without cooking fuel?	3.4	11.2	18.0	19.1	48.3		0.0
How often gone without cash income?	17.1	26.1	28.7	17.1	10.5	0.1	0.3

Further, this study carried out regression results where financial inclusion served as the independent variable and household welfare served as the dependent variable. The model summary presented in table 7 indicates an R-value of 0.008, signifying a negligible positive association between financial inclusion and household social welfare in Kenya. Further, the R Square results of 0.000, indicating that financial inclusion accounted for minimal variance in household social wellbeing. The Adjusted R Square is 0.000, further emphasizing the model's negligible explanatory capacity. The standard error of the estimate is 0.69899, indicating the mean deviation between the observed values and the regression line.

Table 7 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.008[a]	.000	.000	.69899
a. Predictors: (Constant), Financial inclusion				
b. Dependent Variable: Household social welfare				

The ANOVA results presented in table 8 evaluated the model's overall significance. The F-value is 0.155, with a p-value of 0.693, significantly beyond the customary threshold of 0.05. This signifies that the regression model lacks statistical significance, and there is no evidence to suggest that financial inclusion predicts household social wellbeing within this sample

Table 8 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.076	1	.076	.155	.693[b]

Residual	1171.617	2398	.489		
Total	1171.693	2399			
a. Dependent Variable: Household social welfare					
b. Predictors: (Constant), Financial inclusion					

Coefficients results presented in table 9 shows that the intercept is 1.616, and the coefficient for financial inclusion is 0.009, accompanied by a p-value of 0.693 > 0.05. This coefficient lacks statistical significance (p > 0.05), suggesting that financial inclusion does not exert a substantial influence on household social welfare within this model. The low t-value of 0.394 further substantiates the feeble predictive capability. The regression equation is formulated from the unstandardized coefficients is as follows:

$$Y = a + bX$$

$$Y = 1.616 + 0.009X$$

Where: Y is household social welfare, X represents financial inclusion while a which equals 1.616 is the constant while b is the intercept equals to 0.009.

Table 9 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.616	.038		43.043	.000
	Financial inclusion	.009	.022	.008	.394	.693
a. Dependent Variable: Household social welfare						

This study's descriptive statistics indicate elevated mobile-based financial inclusion and moderate traditional banking access among Kenyan households. Specifically, while 50.4% of respondents possess a bank account, nearly 30% indicate that no member of their household has one, highlighting a significant disparity in formal financial inclusion. Conversely, mobile technology and mobile money services are almost universal: 94.5% of individuals possess a cell phone, and 90.8% have a mobile money account, demonstrating significant penetration of digital financial platforms even among historically marginalized communities.

Comparing these findings with the existing empirical literature reveals several significant contrasts and alignments. Research by Zhang and Posso (2019) in China and Ibrahim et al. (2019) in 49 Sub-Saharan African nations confirms a robust positive correlation between financial inclusion and household welfare, particularly via access to credit, savings, and digital infrastructure. This literature substantiates the notion that financial inclusion enhances income and diminishes inequality results that are not directly evident in the Kenyan dataset according to regression analyses. The Kenyan regression analysis revealed no statistically significant correlation between financial inclusion and household wellbeing ($R^2 = 0.000$; $p = 0.693$), indicating that, despite substantial access, the influence of financial inclusion on welfare may be constrained or unevenly allocated.

The findings correspond with Gathoni (2018) and Chakrabarty and Mukherjee (2022), who assert that although mobile banking improves access to savings and investments, its advantages are frequently inequitably allocated, predominantly benefiting affluent or more educated consumers. In this instance, ownership does not inherently equate to utilization or influence. The disparity between mobile money accessibility (90.8%) and substantial welfare enhancement may indicate challenges such as insufficient transaction volumes, inadequate financial knowledge, or a deficiency in integration with other economic prospects.

Research conducted by Joan, Uche, and Ebele (2022) alongside Sakyi-Nyarko et al. (2022) corroborates that

financial inclusion enhances welfare when supported by adequate infrastructure, education, and policy frameworks. The lack of substantial statistical correlation in this Kenyan case indicates that access alone is inadequate, a notion supported by Hussen and Mohamed (2023), who emphasize that digital access must be complemented by financial literacy, rural banking initiatives, and inclusive regulatory frameworks to attain equitable welfare results.

Finally, the implications of the Bergson–Samuelson Social Welfare (BSSW) Theory for this study's findings indicate that, although financial inclusion especially via mobile money has broadened access to formal financial services, this access has not resulted in quantifiable enhancements in household welfare for a substantial segment of the population. BSSW indicates that societal welfare rises with improvements in individual utilities; nevertheless, the study's regression findings reveal no significant correlation between financial inclusion and household wellbeing, implying that mere access may be inadequate to elevate utility for excluded groups. This gap underscores a crucial element of the theory: redistributive and equity-enhancing strategies must accompany financial inclusion initiatives to ensure they effectively enhance individual utility and, consequently, societal welfare. The findings therefore endorse the theory's normative position that economic policies ought to be assessed not solely on growth indicators but also on their capacity to equitably enhance well-being, particularly for marginalized and vulnerable populations.

CONCLUSION

This study concludes that financial inclusion does not significantly influence household social welfare in Kenya. Although financial inclusion is a crucial policy objective, these findings indicate that its direct impact on welfare outcomes may be negligible or necessitate interaction with other socioeconomic factors to attain significance. Subsequent investigations employing a more intricate model or other variables may yield enhanced insights. Whereas Kenya exhibits robust digital financial inclusion, especially via mobile money, this has not resulted in quantifiable enhancements in household welfare within the current dataset. This disconnection underscores the necessity for supplementary interventions such as financial literacy initiatives, rural infrastructure enhancement, inclusive lending frameworks, and legislative reforms to guarantee that access to financial resources results in genuine and fair welfare improvements. The comparative research highlights that financial inclusion is essential yet insufficient for enhancing social welfare, especially for underprivileged groups.

This study recommends further research that investigates the mediation function of financial literacy in the correlation between financial inclusion and household welfare. Furthermore, researchers could utilize multivariate and longitudinal models to evaluate how variables such as wealth, education, gender, and geographical differences affect this association over time.

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