# An Investigation into the Effects of Budgeting on Financial Wellness at Household Level: A Case of households in Lusaka District

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**ABSTRACT**

This study investigates the effects of budgeting on financial wellness at the household level, focusing on households in Lusaka District. Recognizing the critical role that budgeting plays in personal financial management, the research aims to (a) evaluate households' attitudes towards budgeting as a tool for managing their finances effectively (b) establish prevalent budgeting practices among Lusaka households, and (c) determine the effect of the budgeting practices on financial wellness. Four hypotheses were tested to determine the impact of the different budgeting methods namely, Zero-Based Budgeting, the 50/30/20 budgeting rule, Envelope Budgeting, and Pay-Yourself-First budgeting on household financial wellness. A descriptive correlational research design was employed, utilizing primary data randomly collected from the 384 households from within the seven constituencies of Lusaka district namely; Lusaka Central, Matero, Mandevu,Munali, Chawama, Kabwata and Kanyama using structured questionnaires with closed ended questions. The sample was demographically diverse, representing various age groups, education levels, income brackets, and employment statuses. Data analysis included descriptive statistics to profile household characteristics and budgeting behaviors, as well as regression analysis to assess the relationship between budgeting methods and financial wellness. Findings reveal that an overwhelming majority (96.88%) of households prepare monthly budgets, with Zero-Based Budgeting and Envelope Budgeting emerging as the most commonly used methods. However, only 62.63% of households reported adherence to their budgets, citing unexpected expenses and irregular income as major challenges. Regression results indicate that Zero-Based Budgeting and the Pay-Yourself-First method have significant positive effects on financial wellness, supporting their respective hypotheses. Conversely, the 50/30/20 budgeting rule and Envelope Budgeting showed statistically significant negative relationships with financial wellness, highlighting the limitations of rigid budgeting frameworks. The study concludes that budgeting methods that promote flexibility and prioritize savings enhance household financial wellness.

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## Introduction

Financial wellness at the household level is a critical aspect of individuals' overall well-being, influencing their ability to meet basic needs, plan for the future, and cope with unexpected expenses. Over the years, several definitions of financial wellness have emerged. The CFPB (2015) define financial wellness as a condition where individuals possess the capability to adequately fulfil their present and continuous financial responsibilities, experience a sense of assurance regarding their financial prospects, and possess the freedom to make decisions that enhance their quality of life. Kempson & Poppe (2017), refer to financial wellness as the degree to which individuals can comfortably fulfil all their existing obligations and necessities, while also possessing financial flexibility to sustain this capacity over time. According to Muir et al. (2017), financial wellness is attained when individuals can cover their expenses with surplus funds remaining, maintain control over their financial affairs, and experience a sense of financial security both presently and in the foreseeable future.

Despite the existence of several definitions of financial wellness, there is a commonality among them: Financial wellness involves effectively managing financial resources to meet both short-term and long-term financial goals while also being prepared to handle unexpected expenses and financial challenges (Brüggen et al., 2017).

According to the CFPB (2015), financial wellness encompasses the following four facets. Firstly, individuals experiencing high levels of financial wellness exhibit a sense of command over their day-to-day and month-to-month financial affairs. They demonstrate proficiency in covering their expenses promptly and consistently, without the burden of worrying about financial sufficiency. This goes beyond the mere possession of funds, rather, it entails adept management thereof, ensuring financial security in the present. Secondly, financial wellness entails the ability to withstand financial upheavals. Whether facing unexpected circumstances like a car accident or temporary unemployment, financially well individuals possess a safety net, be it through savings, insurance coverage, or familial support, to prevent a sudden shock from evolving into prolonged setbacks. Thirdly, financial wellness encompasses progress towards achieving set goals.

Households characterized by a heightened sense of financial wellness are actively pursuing their financial aspirations. Regardless of whether they have a formalized financial plan in place, they are setting meaningful goals and diligently striving to attain them. This forward momentum is regarded as a pathway towards attaining financial independence in the future. Lastly, financial wellness entails possessing the flexibility to make financial decisions aligned with one's values and desires. Individuals and households exhibiting financial wellness enjoy the freedom to make choices that enhance their quality of life. Whether it involves embarking on a family vacation, dining out, or prioritizing leisure time with loved ones, these individuals possess the financial autonomy to pursue activities that bring them joy and fulfillment. This can be described as experiencing financial freedom in the present moment.

Amidst various factors that contribute to financial wellness, budgeting emerges as a fundamental tool for households to manage their finances effectively. Budgeting involves a systematic examination of projected incomes, representing the revenue generated by households, and the allocation of these funds towards anticipated expenditures, which encompass various expenses and bills, over a defined timeframe in the future (Rivest, 2018). Through the practice of budgeting, households can strategically allocate their resources, allowing them to prioritize spending, safeguard against unforeseen financial challenges, and lay the groundwork for achieving future aspirations. This empowers households to make informed decisions about where their money goes, ensuring that each dollar is allocated purposefully towards meeting both immediate needs and long-term financial objectives (Friedson-Ridenour & Pierotti, 2019). By embracing budgeting as a fundamental practice, households can cultivate financial resilience and stability, paving the way for a more secure and prosperous future.

The significance of budgeting in enhancing financial wellness has garnered increasing attention from researchers. Ben-Caleb et al. (2023) observed a significant positive correlation between personal budgeting practices and financial wellness among staff members of various companies in Nigeria. Smith & Johnson (2018) showed that individuals who consistently engaged in budgeting practices experienced greater financial satisfaction, reduced financial stress, and higher levels of financial resilience over time, emphasizing the long-term benefits of budgeting for financial wellness. Moreover, Garcia & Martinez (2019) revealed that implementing budgeting strategies, such as tracking expenses and setting financial goals, was associated with improved financial management skills, increased savings behavior, and reduced financial strain among participants, ultimately resulting in enhanced financial wellness.

## Literature Review

This chapter contains a review of various literature that relates to the research topic and aims to provide a comprehensive overview of the existing information on budgeting and its effect on financial wellness. By reviewing the current knowledge base, the literature review sought to identify main ideas, conclusions and theories as well as gaps helping to provide more context for this research.

**Defining Budgeting and Financial Wellness**

**Budgeting**

According to literature, Budgeting is a fundamental tool that enables businesses or households to plan, monitor, and control their finances effectively. Budgeting involves a systematic examination of projected incomes, representing the revenue generated by households, and the allocation of these funds towards anticipated expenditures, which encompass various expenses and bills, over a defined timeframe in the future (Rivest, 2018). By creating a well-structured budget, businesses can set clear financial goals and objectives, forecast revenues and expenses, and allocate resources optimally. At a household or personal level, a budget is a personal spending plan that takes into account expected income and expenses for a specified period of time. It can bring you one step closer toward financial security. Having and sticking to a budget can keep your spending in check and assure that your savings for emergencies and longer-term goals, such as a comfortable retirement, stay consistent.

It is argued that financial planning is a crucial aspect of budgeting and helps to set financial goals and objectives in a structured and strategic manner. Budgeting provides a platform to define financial aspirations and determine the steps needed to achieve them. Budgeting helps in setting specific and measurable goals, such as increasing revenue, reducing costs, enabling the identification and prioritization of essential needs, ensuring that resources are allocated effectively and efficiently.

**Financial Wellness**

Household financial well-being in Africa is a complex picture, with significant variation across regions and countries. While Sub-Saharan Africa has seen growth in financial inclusion, particularly through mobile money, many households still struggle with limited access to formal financial services and low savings rates. The challenge is not just access, but also the ability of households to manage their finances effectively and build sustainable financial futures. According to the World Bank Global Findex survey report of 2021, in Sub-Saharan Africa, only 41 percent of adults are financially resilient.

**Theoretical Framework**

The study is anchored on the Theory of Planned Behaviour (TPB). TPB serves as an encompassing framework to delve into the intricacies of households' intentions towards budgeting behaviour and its subsequent effects on financial wellness within households (Nanda & Banerjee, 2021). According to TPB, households' intentions are moulded by three primary factors: attitudes, subjective norms, and perceived behavioural control. A detailed account of the foregoing individual factors that affect is given below:

**Attitudes**

Attitudes towards budgeting encompass individuals' overarching evaluations of this financial behavior. A positive attitude, characterized by the perception of budgeting as a facilitator of financial goal attainment, can bolster intentions to engage in budgeting practices. Conversely, negative attitudes, such as viewing budgeting as restrictive or burdensome, may undermine these intentions. Therefore, individuals' attitudes towards budgeting play a pivotal role in shaping their intentions and subsequent actions in managing finances (Hilgert & Luttrell, 2023).

**Subjective norms**

Subjective norms, on the other hand, capture individuals' perceptions of social pressures and expectations surrounding budgeting behavior. These norms are influenced by beliefs regarding the approval or disapproval of significant others, including family members, friends, and community members. Perceiving support or pressure from these influential sources can strengthen intentions to budget, whereas encountering social disapproval or indifference may weaken such intentions. Hence, understanding subjective norms provides insights into the social dynamics that influence individuals' attitudes and intentions towards budgeting within the community (Uthaileang & Kiattisin, 2023).

**Perceived Behavioural control**

Furthermore, perceived behavioral control encompasses individuals' beliefs regarding their ability to execute budgeting behaviour. This includes internal factors such as financial knowledge, skills, and resources, as well as external factors such as environmental constraints. A heightened sense of perceived control over budgeting is associated with stronger intentions to engage in this behavior and is more likely to translate into actual budgeting practices. Therefore, assessing perceived behavioral control sheds light on the factors that facilitate or hinder individuals' ability to implement effective budgeting strategies (Nanda & Banerjee, 2021).

By applying TPB to this study, the study scrutinized budgeting behaviours among households and its repercussions on financial wellness at the household level.

**Literature Review**

Sabri & Falahati (2013) examined the factors influencing the financial well-being of employees in Malaysia. Employing a multi-stage sampling method, they gathered data from both public and private sector employees. Analyzing 2,000 completed questionnaires through path analysis, the researchers aimed to uncover both direct and indirect impacts on financial well-being. Notably, their findings highlighted a positive correlation between budgeting practices and financial well-being among participants, among other significant factors.

Rivest (2018) delved into the effects of budgeting and financial habits on the indicators of financial wellness within Canada. Utilizing information gathered from the 2014 Canadian Financial Capability Survey, the study demonstrated that consistently adhering to a household budget aids in regulating expenses and fostering saving habits, consequently leading to favorable financial well-being. Moreover, the findings underscored the influence of additional factors such as confidence in financial matters, financial literacy, and tendencies towards impulsiveness on overall financial wellness.

Strömbäck et al. (2017) explored how individual differences in financial self-control and other non-cognitive factors impact financial behavior and well-being. They distributed a survey to a representative sample of 2063 individuals from the Swedish population, encompassing measures of financial behavior, subjective financial well-being, self-control, optimism, deliberative thinking, and demographic variables. Their research revealed that individuals with strong financial self-control tend to allocate a portion of their income for savings regularly, exhibit better overall financial behavior, experience lower levels of financial anxiety, and harbor greater confidence in their current and future financial stability, indicative of heightened financial wellness.

Smith and Johnson (2018) undertook a longitudinal study investigating the effects of budgeting on financial wellness among young adults in the United States. Employing a longitudinal design, the researchers followed participants over an extended period to observe changes in financial well-being. Using random sampling, a sample size of 500 young adults was selected from various regions across the United States. The results revealed that individuals who consistently engaged in budgeting practices experienced greater financial satisfaction, reduced financial stress, and higher levels of financial resilience over time, emphasizing the enduring benefits of budgeting for financial well-being.

Garcia and Martinez (2019) delved into the impact of budgeting on financial wellness among low-income households in urban areas in the United States. Utilizing a qualitative approach, the researchers conducted in-depth interviews with participants to explore their budgeting strategies and financial experiences. Through purposive sampling, a sample size of 50 low-income households was selected from urban communities. The study unveiled that implementing budgeting strategies, such as tracking expenses and setting financial goals, was linked with improved financial management skills, increased savings behavior, and reduced financial strain among participants, highlighting the significance of budgeting in alleviating financial challenges among vulnerable populations.

Chen et al. (2020) conducted a cross-sectional study examining the relationship between household budgeting practices and financial well-being in middle-income families in China. Employing a cross-sectional research design, the researchers collected data at a single point in time to assess the relationship between budgeting practices and financial wellness. Through stratified random sampling, a sample size of 800 middle-income families was chosen from various provinces in China. The findings suggested that households with effective budgeting practices demonstrated higher levels of financial satisfaction, lower levels of debt stress, and greater confidence in achieving financial goals, highlighting the positive impact of budgeting on overall financial wellness among middle-income families in China.

Ben-Caleb et al. (2023) delved into the link between personal budgeting and financial wellness within the staff of tertiary institutions in Ogun State, Nigeria. Embracing the individualistic theory of well-being, the research adopted a survey approach, employing a structured questionnaire to gather insights from a diverse pool of tertiary institution employees. Using correlation and regression analyses, the study revealed a notable positive correlation between personal budgeting and the inclination towards improved financial well-being among the staff. It was concluded that changes in individual and household values and behaviors, particularly in terms of personal expenditure and budget management, could substantially alleviate the severity of financial strain, thereby promoting financial wellness among staff members.

**Conceptual Framework**

The conceptual framework for this study is built around two major constructs: budgeting practices (independent variables) and financial wellness (dependent variable). The framework helps define the scope of the study, guides data collection and analysis, and provides a lens through which findings will be interpreted.

**Dependent Variable: Financial Wellness**

Financial wellness refers to the overall financial health and stability of individuals or households. It encompasses the ability to meet current financial obligations, maintain financial resilience, plan effectively for future expenses, and experience a sense of security and satisfaction regarding one's financial situation. As defined by the Consumer Financial Protection Bureau (CFPB, 2015), financial wellness is characterized by four key attributes: (1) control over day-to-day and month-to-month finances, (2) the capacity to absorb a financial shock, (3) being on track to meet financial goals, and (4) financial freedom to make life-enriching choices.

The study measures financial wellness using a composite index adopted from the CFPB Financial Well-Being Scale. The index includes indicators such as the ability to pay bills on time, the availability of emergency savings, debt levels relative to household income, and confidence in long-term financial planning. Respondents are asked to evaluate their financial well-being using Likert-scale responses to a series of statements aligned with these indicators. These responses are aggregated to construct a quantifiable measure of financial wellness.

**Independent Variables: Budgeting Practices**

The independent variables in this study are the specific budgeting methods employed by households. Budgeting practices serve as the financial behaviors or strategies that households adopt to manage their income, expenses, savings, and overall financial planning. The study focuses on four widely recognized budgeting techniques: the 50/30/20 Budgeting Rule, Zero-Based Budgeting (ZBB), Envelope Budgeting, and the Pay Yourself First (PYF) method. These serve as our independent variables.

**50/30/20 Budgeting Rule:** This method involves dividing after-tax income into three broad categories: 50% for needs, 30% for wants, and 20% for savings and debt repayment, popularized by Warren and Tyagi (2006). Operationally, respondents are asked whether they intentionally allocate income in this proportion and how often they adjust their spending to conform to these guidelines.

**Zero-Based Budgeting (ZBB):** ZBB requires individuals to allocate every unit of income to a specific category, ensuring that no money remains unassigned by the end of the budgeting process (Pyhrr, 1977). This method encourages detailed planning and deliberate spending. Respondents are asked to indicate whether they prepare such comprehensive budgets and whether all income is pre-allocated before the start of each month.

**Envelope Budgeting:** This method involves setting aside funds in envelopes (physical or digital) for different expense categories. Once the funds in an envelope are exhausted, no further spending occurs in that category (Mullainathan & Shafir, 2013). Respondents are asked if they practice envelope-style budgeting, and how strictly they adhere to these spending limits.

**Pay Yourself First (PYF)**: PYF is a savings-first strategy that prioritizes setting aside a portion of income for savings and investments before addressing other expenses (Chatzky, 2003). The study assesses whether households save a fixed amount or percentage of income immediately upon receipt. Each of these budgeting practices are evaluated using a Likert scale, capturing the frequency of use, consistency, and perceived usefulness. Since budgeting behaviors can be multifaceted, the study allows respondents to report the use of multiple budgeting methods simultaneously. This conceptual framework is depicted in figure 1 below.

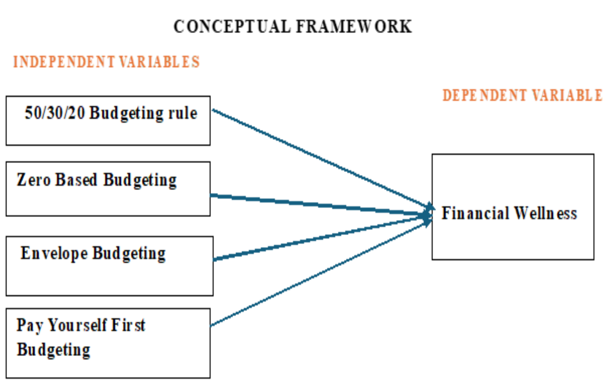


**Figure 1**-Conceptual framework

## Research objectives, Questions and hypotheses

The objectives of this study were:

(a) To evaluate households' attitude towards budgeting in managing their finances.
(b) To establish the budgeting practices among households in Lusaka District.
(c) To determine the effect of the budgeting practices on financial wellness of households in Lusaka District.

**Research Questions**

(a) How do households' attitude towards budgeting affect their financial aspirations.
(b) What are the budgeting practices among households in Lusaka District?
(c) What is the effect of the budgeting practices on the financial wellness of households in Lusaka District?

**Research Hypotheses**

**Hypothesis 1**
H0: Use of Zero-Based Budgeting does not affect household financial wellness.
H1: Use of Zero-Based Budgeting positively affects household financial wellness.
**Hypothesis 2**
H0: Use of the 50/30/20 rule does not affect household financial wellness.
H1: Use of the 50/30/20 rule positively affects household financial wellness.
**Hypothesis 3**
H0: Use of Envelope Budgeting does not affect household financial wellness.
H1: Use of Envelope Budgeting positively affects household financial wellness.
**Hypothesis 4**
H0: Use of Pay Yourself First does not affect household financial wellness
H1: Use of Pay Yourself First positively affects household financial wellness

## Knowledge Gap

Limited studies undertaken on the impact of budgeting on financial wellbeing in developing countries, also within the specific context of Zambia. Addressing these gaps can provide valuable insights for policy makers and practitioners seeking to improve financial wellbeing of households and enhance budgeting skills.

## Methodology

The research onion by (Saunders, Lewis, & Thornhill, 2016) was used as a guide for the construction of the research framework. The chapter begins by highlighting the philosophy and research approach used including the strategy justification. This then helps to define the method of data collection and analysis most appropriate for the research in order to answer research questions and test the hypotheses.

## Underlying Philosophy

A positivism paradigm was used for this study. The positivism paradigm was deemed appropriate because the study relied on quantitative data and sought to explain and predict the budgeting effect on financial wellness through hypothesis testing.

## Research Approach

The study employed a deduction approach as it is well suited for testing of hypotheses, provides objective results through statistical analysis of quantitative data which enhances the generalizability of research findings.

## Time Horizon

This was a cross-sectional study with data collected in the month of June 2025.

## Research method and Justification

A mono-method quantitative case study and a descriptive correlational research design was employed to investigate the relationship between budgeting practices and financial wellness among households in Lusaka District. A correlational design is appropriate in cases where the primary objective is to examine the nature and strength of the statistical relationship between two or more variables without manipulating them (Creswell, 2014).

## Sampling frame and sample size

The study participants were randomly selected using probability sampling from each of the seven constituencies of Lusaka District namely Lusaka Central,Matero,Mandevu, Munali,Chawama, Kabwata and Kanyama, ensuring equal number is selected from each constituency. The households in these constituencies offered a varied perspectives on budgeting behaviours as it relates to financial wellness which was crucial for the research investigation and enhancing the generalizability of the findings. In terms of the sample size, according to the Zambia Statistics Agency, 2022, Lusaka district has approximately 250,000 households and in determining the sample size, the study employed Krejcie and Morgan sample size determination formula $S = \frac{X^2\, NP\,(1-P)}{e^2\,(N-1) + X^2\, P\,(1-P)}$, where, S=minimum sample size, X2 = the table value of chi-square for 1 degree of freedom at 95% confidence level = 3.841, N = population size = approximately 250,000 households, P = the population proportion in support of the variable = assumed to be 0.50, e = margin of error = 0.05 and the resulting sample size was 383.5 ≈ 384.

## Data collection and analysis

The primary data was collected using structured questionnaires with closed ended questions. Data analysis was conducted using statistical techniques, primarily correlation analysis and multiple regression analysis, in order to examine the relationship between household budgeting practices (independent variables) and financial wellness (dependent variable). The responses were reviewed for completeness and consistency. Valid responses were coded and entered into the STATA. Descriptive statistics such as frequencies and percentages were used to summarize the socio-demographic characteristics of respondents and provide an overview of the distribution of responses for key variables helping to identify patterns in budgeting practices and levels of financial wellness.

The first inferential technique to be applied is correlation analysis, specifically using the Pearson Product-Moment Correlation Coefficient. This analysis was used to assess the strength and direction of the linear relationship between each budgeting practice and financial wellness. According to Field (2013), correlation analysis is suitable for exploring whether variables move together and whether those movements are statistically significant. Multiple linear regression analysis was used to examine the combined and individual effects of the budgeting practices on financial wellness. Multiple regression allows for the analysis of how much variance in the dependent variable (financial wellness) can be explained by the set of independent variables (budgeting methods), while controlling for potential multicollinearity and identifying the relative importance of each predictor (Cohen et al., 2013).

## Reliability, Validity and Generalisability of Research Findings

To ensure validity and reliability of the regression results, key statistical assumptions were tested, including: Homoscedasticity (constant variance of errors), normality, and serial correlation, multicollinearity assessed using Variance Inflation Factor (VIF) scores (Hair et al., 2010). The results of the diagnostic tests, the Shapiro-Wilk test for normality indicated that the data for all four budgeting methods; Zero-Based Budgeting (p-value of 0.97035), the 50/30/20 Rule (p-value of 0.22130), Envelope Budgeting (p-value of 0.68067), and the Pay-Yourself-First Method (p-value of 0.32022) are above the 0.05 implying that the dataset does not significantly deviate from normality or is approximately normally distributed. Further, the data was tested for multicollinearity among the independent variables using VIF. Multicollinearity occurs when two or more independent variables in a regression model are highly correlated, which can distort the estimation of coefficients and reduce the reliability of statistical inferences. A common rule of thumb is that a VIF value greater than 5 indicates a problematic level of multicollinearity. The results indicated that all VIF values were well below 5: Zero-Based Budgeting (VIF at 1.62),50/30/20 budgeting (VIF at 1.46), Envelope Budgeting (VIF at 1.45), and Pay-Yourself-First Method (VIF at 1.40). The mean VIF was 1.48, indicating that the overall level of multicollinearity among the variables is very low.

Further, a test for heteroscedasticity using the Breusch-Pagan test, which determines whether the variance of the error terms in a regression model is constant (homoskedasticity) or varies across observations (heteroskedasticity) was conducted. The rule of thumb is that a p-value less than 0.05 typically leads to rejection of the null hypothesis, indicating heteroskedasticity, while a p-value greater than 0.05 suggests that the assumption of homoskedasticity holds. The Breusch-Pagan test yielded a chi-squared value of 62.40 with a p-value of 0.2013, which is greater than 0.05 implying that we fail to reject the null hypothesis of assumption of homoskedasticity. Lastly, a Wooldridge test to test for serial correlation in the data was conducted which produced an F-statistic of 6.806 with an associated p-value of 0.606. The null hypothesis of this test states that there is no first-order serial correlation in the model's error terms, while the alternative hypothesis suggests the presence of serial correlation. Given that the p-value is significantly greater than the conventional significance level of 0.05, we fail to reject the null hypothesis indicating that there is no statistical evidence of serial correlation in the residuals of the model, hence the standard errors and inference based on this model can be considered reliable without the need for adjustment to account for autocorrelation.

## Findings

### *Research Objective 1: Households' Attitudes Towards Budgeting*

In relation to this research objective, the following variables were used to evaluate household's attitudes towards budgeting and the question asked were whether households prepare a monthly budget, whether households stick to their budget and ways of preparing a budget. The responses are as indicated in the table 1,2 &3 below.

**Table 1: Preparation of monthly budget**

| Do you Prepare a Monthly Household Budget? | Freq. | Percent | Cum. |
|---|---|---|---|
| Yes | 372 | 96.88 | 96.88 |
| No | 12 | 3.13 | 100.00 |
| Total | 384 | 100.00 | |

**Table 2: Adherence to budget**

| Do you Stick to Your Household Budget? | Freq. | Percent | Cum. |
|---|---|---|---|
| Yes | 233 | 62.63 | 62.63 |
| No | 139 | 37.37 | 100.00 |
| Total | 372 | 100.00 | |

**Table 3: Ways of household budget preparation**

| Way of Household Budget Preparation | Freq. | Percent | Cum. |
|---|---|---|---|
| Written List | 229 | 61.60 | 61.60 |
| Mobile Application | 35 | 9.41 | 71.01 |
| Excel Sheet | 42 | 11.29 | 82.30 |
| Mental Planning | 66 | 17.70 | 100.00 |
| Total | 372 | 100.00 | |

Results revealed that 372 households (96.88%) reported that they do prepare a monthly household budget, while only 12 households (3.13%) indicated that they do not. This suggests that budgeting is a widely practiced financial behaviour among households in Lusaka, cutting across different income levels and high percentage reflect a strong awareness of the importance of planning and managing household finances.

Out of the 372 households who reported that they prepare household budgets, 233 (62.63%) reported that they stick to their household budget, while 139 households (37.37%) admitted that they do not consistently follow their budget.

This represents a significant gap between budgeting intentions and actual budgeting behaviours. Although most households take the step of creating a budget, a considerable portion struggles with adherence.

### *Research objective 2: To establish the budgeting practices among households in Lusaka district*

**Table 4: Budgeting methods**

| Budgeting Method | Yes | No |
|---|---|---|
| Zero-Based Budgeting | 135 | 237 |
| | 36.29 | 63.71 |
| The 50/30/20 Rule | 44 | 328 |
| | 11.83 | 88.17 |
| Envelope Budgeting | 120 | 252 |
| | 32.26 | 67.74 |
| Pay-Yourself-First | 73 | 299 |
| | 19.62 | 80.38 |
| Total | 372 | |
| | 100.00 | |

Among the 372 households who indicated that they prepare a budget, the most widely used method is Zero-Based Budgeting, reported by 135 households (36.29%). The second most used method is Envelope Budgeting, practiced by 120 households (32.26%). Pay-Yourself-First, a savings-oriented method where households prioritize saving before spending, is used by 73 households (19.62%). The least adopted method is the 50/30/20 budgeting Rule, used by only 44 households (11.83%).

### *Research Objective 3: To determine the effect of the budgeting practices on financial wellness of households in Lusaka district*

**Table 5: Regression Results**

| Financial Wellness | Coef. | St.Err. | t-value | p-value | [95% Conf | Interval ] | Sig. |
|---|---|---|---|---|---|---|---|
| *Zero-Based Budgeting* | .247 | .054 | 4.56 | 0.000 | .14 | .353 | *** |
| *The 50/30/20 Rule* | -.282 | .085 | -3.34 | 0.001 | -.449 | -.116 | *** |
| *Envelope Budgeting* | -.298 | .057 | -5.27 | 0.000 | -.41 | -.187 | *** |
| *Pay-Yourself-First Method* | .316 | .066 | 4.77 | 0.000 | .186 | .447 | *** |
| *Constant* | 1.754 | .137 | 12.81 | 0.000 | 1.485 | 2.023 | *** |

| Mean dependent var | 1.698 | SD dependent var | 0.460 |
|---|---|---|---|
| R-squared | 0.631 | Number of obs | 384 |
| F-test | 14.342 | Prob > F | 0.000 |
| Akaike crit. (AIC) | 447.844 | Bayesian crit. (BIC) | 467.597 |

****p<.01, **p<.05, *p<.1*

Regression results indicate that Zero-Based Budgeting has a positive and statistically significant effect on household financial wellness, with a coefficient of 0.247, p-value of 0.000. This provides strong evidence to support Hypothesis 1. Empirical studies in personal finance support these findings. For example, research by Johnson and Sherraden (2007) highlights that households engaging in meticulous budgeting techniques tend to have improved financial stability, as such practices encourage both conscious spending and saving.

Contrary to expectations, the 50/30/20 budgeting rule shows a statistically significant negative relationship with household financial wellness (Coef. = -0.282, p = 0.001), which rejects Hypothesis 2. This finding is consistent with other empirical research in developing countries that questions the universal applicability of standardized budgeting rules. Collins and Urban (2016) argue that while simple budgeting heuristics can help guide consumers, they must be adapted to local income patterns and expenditure priorities. Therefore, the 50/30/20 rule may require significant modification to be effective in Lusaka households, Envelope Budgeting also displays a statistically significant negative effect on household financial wellness (Coef. = -0.298, p = 0.000), thus rejecting Hypothesis 3. Moreover, previous research points to the risk that the envelope system may encourage overly rigid financial behavior that limits a household's ability to respond to shocks such as illness or sudden unemployment (Lusardi & Mitchell, 2014). Pay-Yourself-First budgeting method shows a strong positive and highly significant effect on household financial wellness (Coef. = 0.316, p = 0.000), providing robust support for Hypothesis 4. The finding is consistent: For example, Lusardi and Mitchell (2014) demonstrate that households with a disciplined savings approach are better equipped to weather financial shocks and avoid debt, contributing to improved long-term financial stability. Similarly, Xiao (2008) argues that Pay-Yourself-First methods cultivate a savings mindset that fosters financial resilience and goal attainment.

## Conclusions and Recommendations

The study observed a widespread acknowledgment of the importance of budgeting with 96.88% of respondents indicating that they prepare monthly household budget, reflecting a strong awareness of financial planning. However, the study also revealed a significant behavioural gap in that only 62.63% of those who prepare budgets consistently stick to them.

Further, the regression results indicate that budgeting practices significantly affect household financial wellness, but not all budgeting methods are equally effective. Zero-Based Budgeting (ZBB) emerged as the most commonly used method, followed by Envelope Budgeting (EB), Pay-Yourself-First (PYF), and last, the 50/30/20 rule.

However, PYF budgeting method had the highest positive and significant impact on Financial wellness at 31.6%, followed by ZBB at 24.7%, the others had a negative effect on financial wellness, 50/30/20 rule and Envelope budgeting at -28.2% and -29.8%, respectively. From the foregoing findings, hypothesis 1 is supported, hypothesis 2 &3 is rejected, and hypothesis 4 is supported.

### *Overall findings*

The model's R-squared value of 0.631 indicates that approximately 63.1% of the variation in financial wellness among households in Lusaka district can be explained by the four budgeting strategies included in the regression analysis. This high explanatory power suggests that these strategies play a crucial role in determining financial wellness. The overall model is highly statistically significant ($F = 14.342$, $p < 0.001$), confirming that budgeting methods collectively have a meaningful influence on financial wellness outcomes. Among the four budgeting strategies, the Pay-Yourself First had the highest positive impact on financial wellness as this method places strong emphasis on savings first, implying that consistently saving through investment had the highest impact on financial wellness.

### *Research limitations/implications*

While use of cross-sectional study was deemed appropriate because of limited time and cost considerations did not permit the investigation of the relationship between the respective budgeting methods and financial wellness or changes over time.

### *Originality/value*

By investigating the effectiveness of budgeting practices on financial wellness, the study sought to address critical gaps in knowledge contributing positively to both academic research and practical interventions aimed at improving financial well-being at the household level within Lusaka District. Further, the findings may be useful to decision makers involved in financial literacy and economic development programs to design targeted interventions to improve financial management skills and promote sustainable economic development in Zambia.

### *Recommendations*

These recommendations are based on the findings of the study.

- Promote financial literacy programs focused on effective budgeting methods: Given the strong positive impact of Zero-Based Budgeting (ZBB) and the Pay-Yourself-First (PYF) method on household financial wellness, the study proposes the need for financial literacy programs to go beyond general budgeting awareness and offer targeted training such as to focus on teaching these aforementioned two budgeting strategies. Schools and Universities should develop deliberate programmes to train pupils and students on the two budgeting practices.
- Further, considering the highest positive impact of PYF budgeting method on financial wellness which places strong emphasis on savings **first**, the study recommends that schools, universities and employers, government and other organisations to come up with advocacy programmes that promote the awareness on the importance of **savings** as a form of investment in one's personal financial wellness aspirations. Savings can be in various forms such as investments in shares, bonds, treasury bills, unit trusts, credit and savings cooperatives among many others which if done consistently over time are likely to have a positive effect on one's financial wellness.

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