FINANCIAL LITERACY AND PERSONAL FINANCIAL MANAGEMENT AMONG FINANCE MANAGERS OF INSURANCE COMPANIES IN KENYA

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A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTERS OF BUSINESS ADMINISTRATION (FINANCE OPTION) OF KENYATTA UNIVERSITY

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DECLARATION

I hereby declare that this research project is my original work and has not been presented for a degree in any other university

Signed: …………………...…   Date: …………………….................

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I confirm that the work in this project was done by the candidate under my supervision

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DEDICATION

I wish to dedicate this work to my family Asha Omar,Omar Mwarangu and friends for the support and encouragement they have showed me during the difficult moments encountered during the preparation of this research project.

Thank you so much for your support.

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I am grateful to God for the strength He has given me to complete this research project. I thank my supervisor Mr. Dominic Ngaba for the great role he played in guiding me into making this research project a success, Kenyatta university for giving me the opportunity as well as the necessary resources to facilitate this proposal and I also wish to thank my family Asha Omar,Omar Mwarangu and friends for the moral support throughout the challenges faced while undertaking this task.

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OPERATIONAL DEFINITION OF TERMS

Budgeting Refers to the process of allocating a specific amount of money for a particular purpose and for a specific period of time. In this study, budgeting is used as an indicator of personal financial management

Course Specification Is the type of program undertaken by individuals in school such as finance and accounting, risk management, economics and strategic management.

Financial Literacy It is the capacity of an individual to use his financial skills and knowledge to examine, evaluate, control, and communicate about financial situations which have the capacity to impact his /her material wealth.

Investment It is the action of starting a venture through use of profit that has been gotten when all the expenditures has been deducted from income generated in a business. The venture is acquired with the aim of generating profit.

Job Experience Is the knowledge a person gains at work over the period of time that an individual has been in employment. In this study, it will be measured in terms of number of years in employment.

Level of Education Is the highest level of schooling to which individuals have received formal instructions. The levels include diploma, undergraduate, postgraduate and doctorate

Personal Financial Management It is the application of financial knowledge and skills possessed by an individual when making financial decisions such as savings, budgeting and investment.

Savings	Refer to money that individuals put aside for future use. In this study, savings is used as an indicator of personal financial management.

LIST OF ABBREVIATIONS AND ACRONYMS

ANOVA	Analysis of variance
CBK	The Central Bank of Kenya
CRB	Credit reference bureau
Fine Access	Financial Access
GDP	Gross Domestic Product
IRA	Insurance Regulatory Authority
KPA	Kenya Ports Authority
NACOSTI	National Commission for Science, Technology and Innovation
NHIF	National Hospital Insurance Fund
NSE	Nairobi Securities Exchange
NSSF	National Social Security Fund
SPSS	Statistical Package for Social Sciences
SACCO	Savings and Credit Co-operative Society
APP	Application
CPA (K)	Certified Public Accountant

ABSTRACT

Personal finance management is important so that people can manage personal finances and make informed financial and economic decisions. People with weak personal finance abilities, on the other hand, are vulnerable to financial stress, which can harm their physical and mental health. The purpose of this study was to evaluate the association between financial literacy and personal financial management among Kenyan insurance company finance managers. The specific goals of this study were to determine the association between level of education, course specialization, employment experience, and personal financial management among finance managers in Kenyan insurance businesses. The family resource management model, social learning theory, rational choice theory, and expectation theory of motivation were all used to drive the research. To meet the research aims, a descriptive research approach was adopted. In Nairobi, Kenya, the target population consisted of 53 licensed insurance businesses. The study specifically targeted financial managers from insurance businesses. As a result, the unit of observation for this study was constituted by a total of 53 respondents. Because the target population is tiny, this study used a census method. Questionnaires were sent physically to the respondents. This study used descriptive statistical analysis, including frequency, percentage, mean, and standard deviation, to understand the nature of the variables under study. Further, objective one and two were analysed using one way analysis of variance test. The third objective was analysed using regression analysis to establish a connection between work experience and personal financial management. The study adhered to ethical standards including disclosing the intent of the study to the respondents as well as guarantee of confidentiality. The study found that a significant relationship existed between level of education and personal financial management among finance managers of insurance companies in Kenya. However, among finance managers of insurance businesses in Kenya, there was no significant association between field categorization and personal financial management. The study also discovered a positive and statistically significant association between employment experience and personal financial management. According to the report, the majority of finance managers were educated. In addition, the study concluded that most insurance companies specialized in finance and accounting. In addition, most finance managers had more than six years in paid in jobs. The study recommended that insurance managers should look for finance managers with good financial knowledge so as they can be able to manage finances. In addition, the insurance companies' management should encourage their finance managers to seek more knowledge on financial management from books and other sources.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

There has been a dramatic upsurge in the interest shown towards financial literacy by policymakers, scholars, and researchers in recent years. According to Navickas, Gudaitis, and Krajnakova (2014), this interest was primarily touched off by the events of the 2008 global financial crisis, where many households were exposed to severe financial challenges arising out of job redundancies, inadequate savings to pay off their housing mortgages, and significant erosion of the value of assets such as stocks and pension funds.

Other factors which have contributed to the upsurge in research regarding financial literacy and which underscore the need for individuals to attain higher financial literacy levels include: increasing sophistication of the financial system, rise in the cost of living, increased access to credit, and pension reforms (Refera & Kolech, 2015; Kebede & Kuar, 2015). As a result, inability to acquire financial literacy can have a negative impact not only at the individual level, but also at the national level; thus, the link between financial literacy and personal financial management practices requires special attention, particularly in developing countries that have received special attention.

In the 21st century, the complexity of the financial system has increased (Hilgert & Hogarth, 2003). Because of ongoing technological advancements, the social and economic environment in which people make financial decisions is constantly evolving. The services and products offered in financial markets also change depending on marketing trends. A large number of low-wage, older and disadvantages people in Kenya face many challenges when it comes to meeting their pressing obligations. This has been made harder by the ever-increasing inflation. A study by Fine Access found that most people in Kenya rely on transfers as a source of income. The level of remittance is 52 percent within Kenya, while that from the diaspora has increased from 2.8 percent to 4.3 percent from 2006 to 2009(Central Bank, 2009).

In research conducted by Fin Access (2016), it was revealed that 57.3% of Kenyans take credit to finance their day-to-day needs, while only 15.8% and 14.7% take loans to invest for business purposes and house/land purposes respectively. According to Letiwa (2010), Statistics show that 67.3 % of the Kenyan population says it never seeks financial advice and 46% turn to family and friends for advise. It further states that about 36% of Kenyans are currently on loans with 28% acquiring new loans in order to pay off existing loans. The emergence of digital lending apps has made getting a loan very easy today. Such app also come with very high interest rates which Kenyans tend to overlook due to their pressing need to take the loans. More than half a million of these borrowers have defaulted and are listed at CRB (Mwiti, 2018) It is also reported that the rate of savings in the country is low. According to Letiwa (2010), 50% of Kenyans only save to satisfy their daily needs as opposed to savings for the long-term needs. The rate of retirement planning in the country is also said to be very poor with majority of Kenyans amounting to 90% not having retirement plans (Maobe, 2017).

FinAccess (2016) also showed that only 11% of Kenyans hold a tertiary level of education, research further revealed the percentage of Kenyan household investment products has declined from 2013 at 11.6% to 10.6% in 2016. These findings have led policy makers to support efforts to improve the management and well-being of personal finances by increasing financial literacy. Letiwa (2010) noted that 67.3% of Kenyans never seek financial advice and the knowledge they have was acquired through trial and error. This means that most of them are not in control of their finances since they are always willing spend even if it means taking more credit.

The need for financial education has been on the rise since the 1990s to present date. Financial literacy has been a rising agenda of government agencies, businesses, educators as well as community groups (Braunstein and Welc, 2002). Since the mid-1990s, as public concern about financial literacy has grown, so has the number of education programs (Vitt et al., 2005).

1.1.1 Personal Financial Management

Personal financial management is the application of the financial knowledge and skill possessed by an individual to come up with decisions of a financial or economic nature (Refera and Kolech, 2015). Personal financial management, according to Setyawati and Suroso (2017), encompasses an individual's behavior regarding the preparation, execution, and monitoring and assessment of his cash, credit, savings, insurance, and retirement planning. Personal financial management decisions, in the estimation of Coşkuner (2017), involve one's aptitude in the use of credit and with regards to budgeting, insurance, investments, savings, borrowings, and retirement planning.

Personal financial management practices in Kenya are normally tracked by the Central Bank of Kenya (CBK) through its FinAccess household surveys. In its latest survey, FinAcess (2019), the CBK assessed the financial health of up to 27 million Kenyan adults by evaluating their responses to a set of nine dimensions of financial health. The first dimension focuses on the investment practice made by individuals. With this dimension in mind, the survey established that the proportion of individuals who save for old age was fairly low, with only 43.7% of the respondents surveyed saving for old age. This implies that more than half of the Kenyan population (over 56% of Kenyans) do not save for old age. Only 11.4% of Kenyans had an NSSF cover, with the percentage of Kenyans making use of pension service providers (excluding the NSSF) standing at only 12.2% (CBK, 2019).

Even fewer Kenyans, as per the CBK survey, put aside money for productive purposes. According to the survey, only 39.6% of the Kenyan population put aside money for productivity purposes, while the vast majority (over 60%) do not. However, the survey established that a lot more Kenyans put aside money for future use, with estimates of those who do being placed at 55.7%. In this regard, only about 33% of Kenyans do not save for the future. Therefore, the ability of Kenyans to invest in their future and in their livelihoods was regarded as being fairy low, at just over 46%. Indeed, in spite of innovations at the Nairobi Securities Exchange, mutual funds, and products such as M Akiba, only 3.2% of Kenyans make use of investment service providers (CBK, 2019).

Moving on to the risk dimension, the practices used by most Kenyans appear to be mixed. As per the FinAccess survey, even though the majority of Kenyans keep money aside for future use, only a few (36.8%) could raise the lumpsum required in three days. All the same, over 52% of all Kenyans were found to have the ability to cope with risk. With regards to the dimension touching on the ability to manage day to day life, the FinAccess survey established that 73.5% of all Kenyans had a plan for the allocation of their money. However, over 58% had problems making their money last. Moreover, the uptake of insurance was low at only 5.5%, with only 26.1% of Kenyans having the NHIF insurance cover (CBK, 2019).

Due to the sharp uptake of mobile money and digital lending apps, a large proportion of Kenyans are financially included, with the country's rate of financial inclusion within the continent being second only to that of Seychelles and South Africa. Eighty two point nine percent of Kenyans have access to formal financial institutions, 6.1% have access to informal financial institutions, and only 11% are excluded. This implies that access to credit is high (50.4%, against a savings rate of 69.9%), with 79% of Kenyans having mobile money accounts, 25% having mobile bank accounts, 30% having traditional bank accounts, and 8% having digital app loans (CBK, 2019).

The majority of the savings are done on mobile money, followed by crowd funding, and then banks savings accounts, and secret hiding places. The majority of the borrowings are from the shopkeeper, followed by family friend and neighbours, mobile banking loans, digital app loans, SACCO loans, and personal bank loans in that order. Even though the rate of borrowing is high, the rate of default is also considered high, with up to five hundred thousand Kenyans reportedly being blacklisted by Credit Reference Bureau (CRB). Most of the financial transactions were done using cash, followed by mobile money (Omondi, 2019; CBK, 2019).

1.1.2 Financial Literacy

The term financial literacy was coined in 1787, and was applied within the context of the need for Americans to obtain the knowledge necessary to get over the distress and confusion that was rife in the country at that time as a result of ignorance towards the American currency, its circulation, and credit. Over the years, the term was picked up by researchers and applied within different contextual settings, and has thereafter been mainstreamed within finance lingo (Chandran and Chandran, 2018).

Awareness of savings and credit management, ability to handle money and bills, understanding of basic life and health insurance, and ability to evaluate and compare policies and proposals for future financial needs are all examples of financial literacy (Emmons, 2005). It was described by Remund (2010) as the degree to which an individual understands the key financial concepts required for managing one's finances through decision-making that affects short- and long-term planning while taking economic conditions into account.

This is a practice related to individual perceptions of income, pension provisions, investments, and financial decisions related to savings (Lusardi and Turfano, 2009). The ability to understand, comprehend, manage, and write about personal finance terms that affect one's financial well-being is referred to as personal financial literacy. According to 2005, this includes the ability to make solid financial judgments, perceive money and financial difficulties without (or despite) inconvenience, plan for the future, and professionally react to life events that impact day-to-day financial decisions, such as general economic events.

Financial literacy has been explained by numerous scholars, but for purposes of the project, the definition provided by Anthes (2004) is deemed to be adequate. Anthes (2004) defined financial literacy as the capacity which an individual has to examine, evaluate, control, and communicate about financial situations which have the capacity to impact his/her material welfare. It involves the ability to differentiate between the different financial options which the individual is faced with, to talk about monetary and financial matters in spite of or without feeling uncomfortable, to plan for one’s future, and to react in a competent manner to economic and life events which could influence financial decisions of most people.

Higher numeracy skill is associated with greater household wealth and sound financial decisions, while the number of the poor is associated with unnecessary expenditure (Rooij et al., 2007). With the liberalisation of financial markets and increased access to credit, immediate credit card issuance, and the rapid commercialization of financial products, financial literacy has become increasingly important. According to Mandell (2008), a greater focus on financial literacy should be put on achieving several targets, such as raising public awareness and understanding of the financial system, improving consumer security, and solving financial crime.

Financial literacy, according to Ambre (2012), begins at home, where children learn to save and shop wisely. Most managers and practitioners, according to (Rezak et al., 2007), need business acumen training. Because financial literacy and business intelligence courses are frequently coupled, they will be able to make confident and informed suggestions. According to Green (2006), financial literacy training programs significantly improve and promote the interchange of financial information between employers and employees.

Financial literacy-related criteria such as education level, employment experience, and course content have been connected to better financial management among individuals (Navickas et al., 2014; Refera & Kolech, 2015). The highest level of education at which persons have received formal instruction is referred to as the level of education. The levels include diploma, undergraduate, postgraduate and doctorate. Job Experience refers to the knowledge a person gains at work over the period of time that an individual has been in employment. In this study, it will be measured in terms of number of years in employment. Course specification is the type of program undertaken by individuals in school such as finance and accounting, risk management, economics and strategic management.

1.1.3 Financial Literacy and Personal Financial Management

People that are financially literate are likely to handle finances better. They are able to plan for the future, invest, take loans, make the best of the resources availed to them as well as meet their daily needs (Nelson & Wambugu, 2008). According to Lusardi and Mitchell (2008), people who are financially literate plan well for their expenditure as opposed to those who are not financial literate. Lack of financial knowledge is mostly associated with increased borrowing and spending with lack of savings which leads to poverty.

Bengi and Njenje (2016) are of the view that, educated people have better understanding on how to manage their income and resources. They tend to plan well on how to use their money, future needs of their family and take up investments that will guarantee them of profits and continued income for their future. Possession of monetary knowledge makes an individual to manage finances well and that of the immediate beneficiaries. Currently, many individuals and government agencies have doubled their efforts to ensure that the know-how among the population on money matters is higher so that cases of misuse of money and suffering of families are minimized. Hilgert, Hogarth and Beverly (2003) advocate for more empirical studies on this field to give a scientific underpinning that will guide policy makers in taking necessary steps to improve on financial education among individuals.

1.1.4 Finance Managers of Insurance Companies in Kenya

The insurance services offered by different insurance companies are not the same, making it difficult to compete with their products. In order for insurance companies to remain competitive, they must cultivate an organizational culture in which consumers are consistently pleased with the high-quality services they receive. It is critical for insurance companies to recruit, train, grow, and maintain highly skilled employees in order to provide quality service. Due to the huge number of competitors in the business, severe rivalry puts pressure on the employment market because insurance corporations require more demanding capabilities than workers (Omondi, 2008).

Financial literacy principles are important for insurance finance managers to succeed in today's dynamic global climate. The IRA guidelines demand that basic principles and financial literacy skills be met. They also represent a broader set of universal abilities that encourage critical thinking and social duty. They give the foundation and skills required for participation. People will comprehend what it takes to solve problems and meet the collective difficulties of an increasingly complicated and interconnected world when they accept responsibility for their decisions, knowing that they have repercussions for others as well as their own personal achievement (IRA, 2018). In order to make the best day-to-day choices, workers must have strong personal financial management skills. The aim of this study was to see if there was a connection between financial literacy and personal financial management among Kenyan insurance executives.

1.2 Statement of the Problem

Personal finance management is important so that people can manage personal finances and make informed financial and economic decisions. According to (Gorham et al., 2009) people with a higher level of personal financial management techniques enjoy results in the form of higher savings, better creditworthiness, and the ability to make ends meet. (Marican et al., 2012) discovered that people with weak personal financial abilities are more vulnerable to financial strains, which can negatively impact their physical and mental health.

Despite the growing research interest in financial literacy, the majority of research studies on the connection between personal financial management and financial literacy have been conducted with a primary focus on developed countries, with very few addressing the issue from the perspective of developing countries such as Kenya (Refera and Kolech, 2015; Mwathi, Kubasu and Akuno, 2017). Significant cultural and institutional differences exist between developing and developed countries, and therefore, the impact of financial literacy on personal financial management is not necessarily likely to be uniform across these two contexts.

Additionally, findings generated by the few empirical studies carried out within the context of the developing country remain inconclusive (Kebede and Kuar, 2015). According to (Mwathi et al.,2017), the empirical evidence offered locally on the causality between monetary literacy and personal monetary management was conflicting, making a decisive judgment on the link between the two unattainable.

Furthermore, local studies on financial literacy in the insurance industry have not focused on personal financial management of financial managers. A good example is the study by (Aluodi et al.,2017), who examined the impact of financial literacy on insurance workers' pension readiness in Kenya. Because it focuses on retirement readiness rather than managing financial managers' personal money, this study revealed a conceptual mismatch. In light of this, additional study is required to establish the impact of financial literacy on personal financial management. Due to limitations in the literature, this study concentrated on financial managers of Kenyan insurance businesses.

1.3 Objectives of the study

The study objectives were classified into: general and specific objectives.

1.3.1 General objective

The main goal of the research was to examine the relationship between financial literacy and personal financial management among finance managers of insurance firms in Kenya.

1.3.2 Specific Objectives

The study was guided by the following specific objectives:

1. To establish the relationship between level of education and personal financial management among finance managers of insurance companies in Kenya.
2. To establish the relationship between course specialization and personal financial management among finance managers of insurance companies in Kenya.
3. To establish the relationship between job experience and personal financial management among finance managers of insurance companies in Kenya

1.4 Research Hypotheses

1. Level of education has no statistical significant relationship with personal financial management of finance managers of insurance companies.
2. Course specialization has no statistical significant relationship with personal finance management of financial managers of insurance companies.
3. Job experience has no statistical significant relationship with personal financial management of finance managers of insurance companies.

1.5 Significance of the Study

The findings are likely to generate new knowledge regarding financial literacy, financial management planning, and the connection between these two, within the specific context of Kenya. This may be useful in addressing the highlighted research gaps which are, scarcity of empirical evidence on financial literacy and financial management planning, and mixed and inconclusive evidence regarding the connection between financial literacy and financial management planning. As a result, the study promises to be of enormous theoretical importance to academics.

Low financial literacy levels have been linked with the inability to make sound financial decisions, leading to undesirable consequences such as high financial costs, bankruptcy, foreclosures, and financial crises. As a result, doing this research may yield important insights that can be used to prevent or minimize the detrimental effects of inadequate financial literacy. The research will be beneficial to a number of stakeholders including finance managers, government and policy makers, financial institutions and academic fraternity.

This study is expected to be useful for individual financial managers as they better understand and understand the link between personal financial management and financial literacy. From the proposed studies, they can find out how to properly manage their personal finances and what best management practices should be implemented to get the most out of the available resources. The survey may also teach people the importance of good financial habits such as proper planning, budgeting, credit and cash flow management, saving, and retirement planning. Knowing this, individuals can improve their life, just like everyone else around them.

The research may give policy makers and the government perspective and insight of policies that need to be adopted in order to ensure a financially literate population. This also include advocating for financial literacy programmes to be incorporated in both public and private institutions in order to encourage better practices when it comes to personal financial management. It is the policy makers that shape the economy to a larger extent and thus this research will be beneficial as it will also give guidance on the same.

Financial institutions might also benefit from this research as when people become more aware of the need for financially literacy, the demand for their services and product will also increase. This is because as people become more aware of their options in finance management, they will tend to seek financial advice, seek investment options as well as portfolio management advice and guidance. The study may not only be beneficial to an individual but to the nation at large. When a nation has a financially literate population it has added advantage as opposed to that which its people are not financially informed. Some of the benefits that it stands to gain include; proper utilisation of resources, reduced cost of living, increased investment as well as economic growth. The research may further be of great benefit to the academic community. This might add to the Financial Literacy Fund already in Kenya. Literature is also provided for someone who wants to provide additional training in the same field.

1.6 Scope of the Study

This study evaluated the impact of financial literacy on personal financial management among financial managers of insurance companies in Kenya. It covered three aspects of financial literacy: education level, course specialization and work experience. The target of this study included insurance companies in Kenya. The survey was aimed at all 53 licensed insurance firms. The research specifically focused on financial managers. As a result, the unit of observation for this study was constituted by a total of 53 respondents. The study spanned the years 2020-2021.

1.7 Limitations of the Study

Respondents were hesitant to provide the requested information. However, the researcher told them that the information they submitted would be kept confidential. Due to time constraint, the researcher outsourced the services of research assistants to help with the data collection exercise.

1.8 Organization of the Study

The first chapter explains the basics of the main research concepts, description of the problem, research objectives, research questions, and the importance of research and its limitations. Chapter two deals with the literature review, in particular the theory review, empirical review, and conceptual framework. Chapter three outlines the methodology adopted in the current research. The fourth chapter contains findings and discussion, while the fifth chapter contains a summary of the findings, conclusions, and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides a critical examination of the theoretical and empirical literature on monetary literacy and personal monetary management practices. In the first section of the chapter, a review of the theories and models which underpin the research is carried out. In the second section, a review of the empirical literature is done. This was based around various thematic areas emerging from the research objectives, as follows: identifying the impact of education level, course specialization, and work experience on personal financial management for financial managers in insurance companies in Kenya.

2.2 Theoretical Review

This research is based on the family resource management model, the social learning theory, the rational choice theory, and expectancy theory of motivation. The model and theories and their relevance to the study were discussed below.

2.2.1 The Family Resource Management Model

The family resource management model was developed by Deacon and Firebaugh (1988), and adopts a system approach, where inputs (including financial knowledge) are absorbed, and then transformed via the throughput system (including financial attitudes and financial management) into outputs. It consists of four stages, which provide elaboration regarding the process by which individuals arrive at financial decisions and form financial behaviours. These stages are given as: input, throughput, output, and feedback loop stages (Figure 2.1).

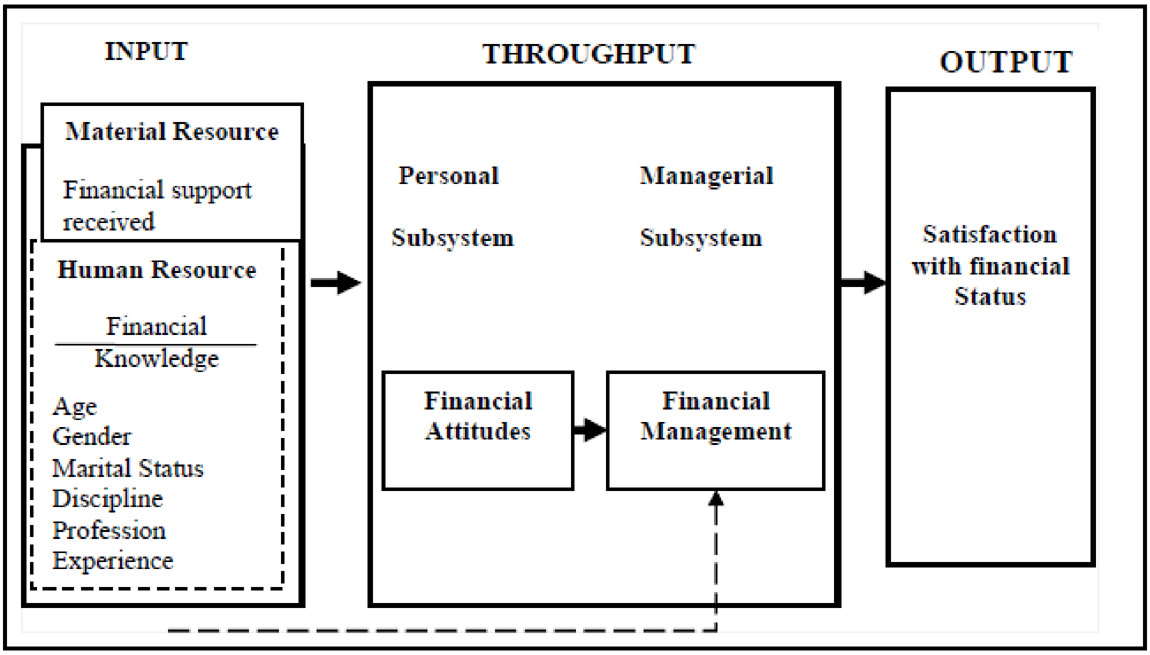

Figure 2.1: Family Resource Management Model

Source: Deacon and Firebaugh (1988)

The inputs occur at the first stage of the model, and denote the resources which the individual has, and the demands which the individual faces. The resources emanate from the individual’s environment, and provide the means through which the demands may be satisfied. The model thus implies that the financial behaviour of an individual is driven by the resources available to him/her (for example, knowledge, personal attributes, values, and attitudes) and by the demands which he/she faces.

Productivity continues to emerge in the second phase of the model, where financial decisions are made that affect individuals based on individual resources and needs. This includes the personal subsystem (financial management) and the management subsystem (financial management). Outputs occur in the third stage of the model, and mirror the extent to which the desired goals were met or demands satisfied. Outputs are a product of the decisions arrived at by the individual, and may include the degree of satisfaction with the individual’s financial status, satisfaction of demands, or a change in resources. Positive or negative feedback occurs in an on-going manner across these three stages (Oppong-Boakye and Kansanba, 2013).

This study's conceptual framework is heavily influenced by Deacon and Firebaugh (1988) family resource management model. People with a higher degree of financial literacy are thought to be better able to use credit for budgeting, insurance, investment, savings, spending, credit, and retirement planning. As a result of increased financial literacy, better personal financial management solutions will emerge. In contrast, poor financial literacy would lead to a lesser proclivity to utilize credit for budgeting, insurance, investment, savings, consumption, credit, and retirement planning. As a result, poorer levels of financial literacy will lead to poor personal financial management decisions. As a result, the family resource management model is pertinent to our study since it presents a hypothetical link between financial literacy and personal financial management.

2.2.2 The Social Learning Theory

The social learning hypothesis, first articulated by Bandura (1977), contends that because learning is a cognitive process that occurs within a social context, a person's behavior is influenced by social circumstances. Individuals learn from one another through a variety of mechanisms, including observation (watching of other people's behaviors and the effects of those behaviors), modeling, and reinforcement. Within the context of financial literacy, examples of such social factors include sources of financial information, such as the financial advice from peers. A research study carried out by Martin and Oliva (2001) demonstrated that personal financial skills could be learnt through exposure to money through others (parents), imitation of their financial behaviors and attitudes, observation of saving and patterns.

The Social Learning Theory is relevant to this study because it explains the concept of learning/ acquiring knowledge about a subject. In this study, the focus is on financial literacy related factors and their influence on personal financial management. Based on the Social Learning Theory, financial literacy of finance managers is determined by a number of factors. The current study focuses on level of education, course specialization and job specialization as financial literacy related factors. The theory, therefore, underpins the independent constructs in this research.

2.2.3 Rationale Choice Theory

This research is also focused on George Homans (1961) rational choice theory. People forecast alternative outcomes and make rational, realistic choices that provide the most value or fulfilment for their greatest benefit, according to this theory. This theory has several strengths: universality, in which the assumptions associated with an actor conform to a set of assumptions about the actor's environmental situation; Support, where preferences and beliefs are seen as the only relevant variables that determine action; predictable when the theory's assumptions have led to another important theory whose predictions replace what is usually considered impossible (Ogu, 2013).

The theoretical limitations include; the view of the individual as separate from society; unrealistic assumptions about cognitive and psychological theories; Lack of innovation and creativity on the part of the actors; The absence of a moral component of this theory is evident (Burns & Roszkowska, 2016). In his study "The Determinants of School Choice: Understanding How Parents Choose Elementary Schools in Alberta," Bosetti (2004) applies this hypothesis to his findings. Bosetti's research has a similar theme to the current study, which seeks to recognize factors related to financial literacy that influence personal finance managers.

Rational choice theory is used in this study because the selection of finance managers for financial management is the result of rational decisions. Financial managers' perceptions and ratings of various factors determine personal financial management choices. Therefore, theory provides a theoretical relationship between factors related to financial literacy (level of education, course specialization, job experience) and personal financial management options for finance managers.

2.2.4 The Expectancy Theory of Motivation

Individual behavior has long been understood to be motivated by motivation. The theory relates interpretation to action and dates back to Tolman (1932) and Lewin (1938). Since then, a lot of academic study has been conducted to try to find out what motivates people. Vroom's (1964) work on performance models, as well as

Samuelson's (1967) work on utility models, provide a theoretical foundation for understanding the motivational factors underlying human behavior as a function of expected length, mediation, and value or gain.

The assumption or probability that certain actions or natural circumstances will result in certain outcomes, implying that the execution is effort-based, is known as expectation. The reward-performance relationship is connected to instrumentality, which means that outcomes are decided by performance. The value a person places on perceived outcomes is determined by valence and/or usefulness. According to this theory, items that may contribute to valuable outcomes inspire people (Mandel & Klein, 2007).

Financial literacy equips people with the skills and information they need to make critical life choices. As a result, the influence of a financial education program is decided by the individual's views of the program as well as the program's outcomes, according to this theory (Mandel & Klein, 2007). This suggests that people who utilize financial literacy to improve the consistency of their decisions are more inclined to engage in them over time, resulting in a higher perceived outcome (financial freedom).

The theory was applicable to this research because the target audience had an appropriate level of financial literacy and therefore have to bring their experience in managing their personal finances. That is, budgeting, saving and investment resulting into high financial freedom. The expectancy theory, therefore underpins the dependent variable (personal financial management) in this study.

2.3 Empirical Review

A study of the predictors of financial well-being was done on a sample of 2,246 Malaysian employees. The different factors that were put into consideration included employee’s perception of the value gained from financial services, means by which they cater for their daily needs as well as means by which they offset their statutory remittance. The study showed that employees that had good financial knowledge made good financial decisions for their future and current needs. The lives of such employees and those of their loved ones proved to be better that those who were not financially literate (Delafrooz and Paim, 2011).

In a different study, residents at university of Puerto-Rico were involved in a study to investigate the effects of financial knowledge and choices made for future spending. The respondents that were picked had been residents at the university for one year (2012-2013). The study targeted a population of 3,133 from which a sample of 300 employees were selected out of which only 146 employees were involved in data collection through use of questionnaire. The findings reveled that lack of knowledge had a negative effect on financial and retirement planning (Castro-Gonzalez, 2014). All studies showed that the connection between financial literacy and personal financial management was positive.

2.3.1 Level of Education and Personal Financial Management

Aluodi, Njuguna and Omboi (2017) studied the impact of monetary literacy on the provision of pensions for insurance workers in Kenya. The survey results showed that only 46.1% of respondents are sure of their willingness to retire. However, pension assets are quite high: around 51.3% of those surveyed saved more than 1 million schillings for retirement. However, the researchers discovered that respondents' willingness to retire was unaffected by their level of financial awareness. It was found that the amount of savings has a positive correlation with financial literacy, but this did not have a significant effect on willingness to retire. As such, the researchers came to the conclusion that the degree to which a person is educated about financial principles did not automatically affect how he saved for pension.

Another research was carried out by Mwangi and Onsomu (2018). These researchers were interested in ascertaining how financial literacy influenced the diversification of portfolios at the Nairobi Securities Exchange (NSE) by investors. Based on a cross-sectional survey research design, the researchers evaluated trading data for a sample of 200 investors for the period between June and July 2017. The findings indicated that financial literacy had a significant effect over portfolio diversification by the NSE investors. Since diversification had been associated with the reduction of unsystematic risk, the implication is that investors with a higher degree of financial literacy are prone to lower exposures to investment risks. Nonetheless, the research findings also indicated that the control variables used (age, income level, and education) did not have any significant effect over portfolio diversification.

Wachira and Kihiu (2012) explored how Kenyans' access to financial services was influenced by financial literacy. The researcher analyzed the data using the multi-part logit method and discovered that there was no substantial relationship between financial literacy and household access to financial services. In addition, factors such as age, gender, income level, and education level affected access to financial services. However, researchers have shown that the risk of financially illiterate people being financially excluded is significant, so they suggested developing immediate measures to address this problem. Whereas Wachira and Kihiu (2012) found that education level affected financial management decisions, Aluodi et al. (2017) and Mwangi and Onsomu (2018) did not find a significant correlation between education level and financial management decisions.

2.3.2 Course Specialization and Personal Financial Management

Financial literacy and personal financial management in young households were investigated by Navickas, Gudaitis, and Krajnakova (2014). The value of financial literacy for personal financial management in young households was the subject of this paper. The authors recommended that responsible personal finance be emphasized from the outset, as financial errors made as a child can be costly and difficult to fix later in life. Furthermore, high financial literacy had a positive effect on everyday decision-making and leads to increased savings, which increased long-term quality of life. However, the unit overseeing the survey is young households, not financial managers.

At the Bank of Baroda in Kenya, Jayantilal (2017) investigated financial literacy and its effect on personal financial management. This study's basic goals were as follows: To see how financial literacy affected personal investment, savings, and debt. This analysis used a quantitative descriptive research design with 173 bank employees. A standardized questionnaire was used to collect data, and a realistic sample of bank employees was used. Financial literacy had a positive effect on employee personal financial management, according to the report, resulting in increased investing habits, more diversified investments, and lower debt ratios. Senior executives had good financial management in terms of investment, savings, and debt management, according to the report, while subordinate employees had poor financial knowledge and management, which led to poor investment and savings management activities, as well as debt decisions. Employees' lack of financial responsibility had affected personal financial management, limiting their ability to spend and save money.

Gachango (2014) covered personal financial management behaviors such as saving, spending, debt management, money management, retirement and contingency planning, as well as financially qualified workers against those who were not. Many with financial experience, such as bankers, accountants, and auditors, were found to be financially stable in this research. A formal questionnaire was used to obtain data from 192 employees. The findings revealed that people who had received financial education engaged in typical financial conduct to some degree. According to the findings of this report, there was a substantial gap in personal financial management activities between respondents who understood finance and those who did not. Financial practitioners had a greater understanding and application of financial accounting techniques.

2.3.3 Job Experience and Personal Financial Management

In another study, Kamunzyu and Kariuki (2019) explored the impact of financial literacy on investment decision-making, with a focus on Kenya Ports Authority (KPA) employees. The research approach was based on a descriptive survey. The researchers found that financial literacy was positively and substantially associated with better investment decisions, with a one-unit improvement in finance skills having a positive incremental impact in the investment decision. The study also showed that a one-unit increase in debt, income, and budgeting had a significant incremental impact on investment decision.

Shibia and Kieyah (2016) investigated in their research study the effect financial literacy had on individual choices with regard to formal and informal financial services and on financial exclusion in the region. The researchers implemented a cross-sectional analysis based on FinAccess data from 2009 and 2013, analyzing the data using Multinomial probit regressions. The findings showed that people with higher scores for financial literacy had access to formal financial services relative to those with lower scores for financial literacy and who ended up being financially excluded and were only able to access informal financial services.

Finally, Schützeichel (2019) focussed on investigating the effect which financial literacy had on variables such as saving (regular saving and saving for retirement). The researcher used the probit regression technique to analyse the data, with the data being obtained from the 2016 FinAcess Kenya survey. The findings arrived at by the researcher indicated that households which were associated with higher financial literacy levels had a higher probability of saving on a regular basis and for retirement, compared to those which had lower financial literacy levels. In that regard, the researcher provided proof for the existence of direct and meaningful impact between financial knowledge and pension savings.

Refera and Kolech (2015) analyzed the relationship between personal financial management, experience, education and skills among employees in Ethiopia. This survey was exploratory in nature. Descriptive statistics was included. The results showed that employees from all organizations must be trained financially because of low financial management skills. The majority of respondents also found that work experience was very important in determining employees' personal financial management skills. However, the study did not reveal how the variables were measured. This study provides a clear measurement of the variables studied.

2.4 Summary of Research Gaps

Table 2.1: Summary of Literature Review and Research Gaps

Author &Year	Focus of the study	Results	Research Gap	Focus on the current study
Aluodi, Njuguna and Omboi (2017)	Impact of financial literacy on pension planning among employees in the insurance industry in Kenya.	The researchers came to the conclusion that the degree to which a person is educated about financial principles does not automatically affect how he saves for pension.	The study was limited to only one measure of personal financial management, that is pension planning.	The study focused on three measures of personal financial management, namely investment, savings and budgeting.
Gachango (2014)	Personal financial management practices that encompasses savings practices, expenditure practices, debt management, investment, money management, retirement and unexpected practices of both employees who are financially educated verses those who are not.	The results have shown that those who are financially educated do practice to an extent the standard financial behaviors.	The study did not focus on insurance companies as the unit of analysis.	The study focused on insurance companies as unit of analysis
Jayantilal (2017)	Financial literacy and its effect on personal finance management of employees of Bank of Baroda in Kenya.	The study found that the financial literacy positively affects personal finance management among the employees.	The study was limited to only one organization.	This study targeted 53 insurance companies.

Kamunzyu and Kariuki (2019	Impact of financial literacy on investment decision-making, with a focus on Kenya Ports Authority (KPA) employees	Financial literacy was positively and substantially associated with better investment decisions	The study was a case study focusing on Kenya Ports Authority	The study was a survey focusing on 53 insurance companies.
Mwangi and Onsomu (2018).	Financial literacy influence on the diversification of portfolios at the Nairobi Securities Exchange (NSE)	Control variables used (age, income level, and education) did not have any significant effect over portfolio diversification.	The study was limited to only one measure of personal financial management, that is, diversification of portfolios	The study focused on three measures of personal financial management, namely, investment, savings and budgeting
Navickas, Gudaitis and Krajnakova (2014)	Influence of financial literacy on management of personal finances in a young household.	High level of financial literacy has a positive impact on day-to-day decision making and leads to higher saving rates, which improves the quality of life in the long run.	The study unit of analysis was young households.	The unit of analysis in this study was insurance companies.
Refera and Kolech (2015)	Relationship between, experience, education and personal financial management capability among employees in Ethiopia	Majority of the respondents also noted that work experience was essential in determining the personal financial management capability of employees	However, it was not clear from the study how the variables were measured.	The current study provided a clear measurement of the study variables
Schützeichel (2019	Effects that financial literacy had on variables such as saving (regular saving and saving for retirement).	\` Households which were associated with higher financial literacy levels had a higher probability of saving on a regular basis	The study focused on households as the unit of analysis.	This study focused on insurance companies as unit of analysis.

Shibia and Kieyah (2016)	Financial literacy has influenced individual choices regarding formal and informal financial services, as well as financial exclusion in the region.	People with higher financial literacy scores have access to formal financial services than those with lower financial literacy scores.	The study did not concentrate on finance managers as the unit of observation.	The unit of observation in this study was finance managers
Wachira and Kihiu (2012)	Effect of financial literacy on Kenya's access to financial services.	Financial services was influenced by variables like age, gender, level of income and level of education	The study did not concentrate on finance managers as the unit of observation.	The unit of observation in this study was finance managers

Source: Reseracher (2021

2.5 Conceptual Framework

A conceptual framework is a research technique that assists researchers in developing awareness and comprehension of the variables under investigation. The projected link between the independent and dependent variables is depicted. The independent variable in this study was financial literacy which is divided into: level of education, specialization in subjects and work experience, while the dependent variable is personal financial management. Figure 2.2 shows the conceptual framework.

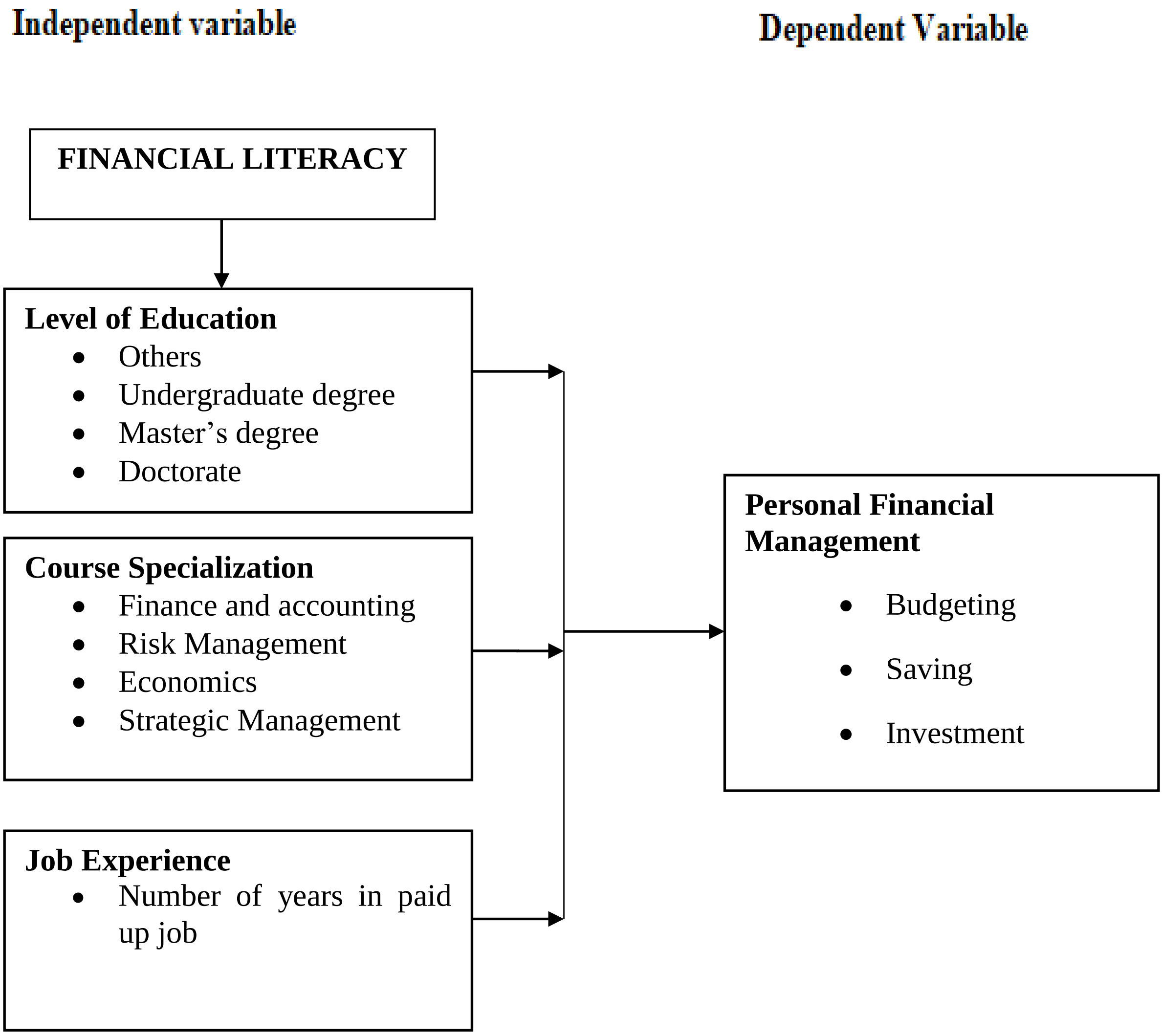

Figure 2.2: Conceptual Framework

Source: Researcher (2021)

The dimensions of the independent variable (financial literacy) include: level of education, specialization in courses and work experience. Education level, course specialization, and work experience of financial managers were likely to be positively related to personal monetary management. The dependent variable was measured in terms of budgeting, saving and investment.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, the tools, approaches, methods and techniques that was used to gather the required data, to analyse and to interpret it are described. The study's research design was explained in the first section. The second segment concentrated on describing the population of interest. The census approach was then described, followed by the data tool, validity and reliability, data gathering techniques, and data analysis strategies. Lastly, the ethical standards that were followed are presented.

3.2 Research Design

Research design deals with the plans used to collect, measure and analyze data. The right design for a study will depend on the type of research question on which the research is based (Creswell, 2014). Descriptive research technique was employed in this research. This was considered suitable since the survey intended to examine the extent to which financial managers understand financially, what personal financial management they use, and what impact financial literacy has on financial managers' personal financial management.

3.3 Study Population

According to Aren and Aydemir (2014), research studies evaluating particular phenomena touching on financial literacy were categorized into two different clusters, in line with the population of interest targeted and the sample which was subsequently derived from the population. In the first group were research studies which had focused on general groups (that is the general population), with the vast majority of these targeting households and the residents of a given country and tapping into national surveys (Wachira and Kihiu, 2012).

In the second group were research studies which targeted specific groups, such as women (Lusardi and Mitchell, 2008), employees (Mbarire and Ali, 2014), investors (Mwangi and Onsomu, 2018), college/university students (King'wara, 2014), individuals who had taken a particular course (for example Mandell and Klein, 2009), and professionals working in the financial sectors (Aluodi, Njuguna and Omboi, 2017). Even though the studies focussing on the general groups provide results that are highly generalizable (since they are based on large samples derived from national surveys), they are typically characterised by fundamental weaknesses when it comes to elaborating the logical connection existing between financial knowledge and financial management practices (Aren and Aydemir, 2014).

It is for this reason that the study focused on specific groups rather than general groups. Therefore, the target audience for this survey were insurance companies in Kenya. This study was aimed at all 53 licensed insurance firms in Kenya (IRA, 2018). The research specifically focused on financial managers. Therefore, a total 53 respondents formed the unit of observation.

Table 3.1: Target Population

Group	Number of individuals per Company	Total Respondents
Finance managers	1	53
Total		**53**

Source: IRA (2018)

3.4 Census Approach

Hopkins (2017) supports the use of census and argues that the greater the number of observations, the lesser the research errors. Therefore, the 53 finance managers from all the insurance companies surveyed. The choice of finance managers as target respondents was justified because they were believed to have knowledge in regard to the subject matter.

3.5 Data Collection Instrument

The process of acquiring information from the target audience is referred to as data collection (Sutton and Austin, 2015). A structured questionnaire was employed to collect data in this investigation. The questionnaire was given independently and presented physically to the respondents. Questionnaires are preferred because they are cheaper, take less time, require less administration, and make data collection easier after collection.

3.6 Validity and Reliability of the Research Instrument

3.6.1 Validity

Kothari (2004) defines validity as consistency and significance based on research results. Instruments are accurate when measuring what needs to be measured and correctly achieving their intended goals. In this study, content validity was assured by the research supervisor who went through the questionnaire and recommend necessary adjustments.

3.6.2 Reliability

Reliability shows exactly how a method led to results when used repeatedly (Mugenda & Mugenda, 2003). That was the consistency of the gauge. The reliability of the research tool was achieved with the help of Cronbach alpha, where elements with a value below 0.7 were considered unreliable.

3.7 Data Collection Procedure

A letter of consent from Kenyatta University was obtained prior to starting the data collection process. The author also applied to NACOSTI for a study authorization. The questionnaires were given to the respondents in person. Respondents were requested to complete the questionnaire and return it on the same day.

3.8 Data Analysis and Presentation

The data collected was first entered into Excel and adjusted for completeness. The software was then uploaded to SPSS v. 21 and then coded for analysis ready. This study used descriptive statistical analysis (frequency, percentage, mean, and standard deviation) to understand the nature of the survey concept. Further, objective one and two were analysed using one way ANOVA test. The test was appropriate because level of education and job specialization are categorical variables. As a result, the study attempted to ascertain the mean differences between the variable categories and personal financial management. The third objective was analysed using regression analysis to establish the relationship between job experience (to be measured in years) and personal financial management. Findings were presented using tables and charts.

The following simple regression model was estimated in relation to objective three:

$Y = \alpha + \beta_1 X + \varepsilon$

Where;

Y= Personal Financial Management

α = Constant

β_1= beta coefficient

X- Job experience

ε=Error term (factors that could affect Y but are not included in the study)

3.9 Ethical Considerations

Ethical considerations are ethical standards that researchers must consider in all research methodologies at all phases of the process (Fellows & Liu, 2015). The researcher requested authorization from the university and NACOSTI to perform the study. The information collected from respondents were kept strictly confidential. In addition, the goal of the survey was clearly explained to the respondents.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter includes the response rate, reliability test findings, descriptive analysis for each study variable, ANOVA and regression results. In addition, inferential analysis is also presented. The chapter further presents the result of the hypothesis tests for each of the study variables used.

4.2 Response Rate

The number of questionnaires that were administered to insurance company financial managers were 53.

Table 4.1: Response Rate

Response	Frequency	Percentage
Returned	47	88.68%
Unreturned	6	11.32%
Total	**53**	**100%**

Table 4.1 shows that 88.68% of the respondents returned the questionnaire totally filled while 11.32% of the respondents did not return the questionnaire. According to Babbie (2004), return rates of more than 50% are acceptable for analysis and publication, 60% is good, 70% is very good, and more than 80% is exceptional. Based on these assumptions, the study's response rate of 88.68 percent is good.

4.3 Reliability

Table 4.2: Reliability test

Variable	No of items	Respondents	α=Alpha	comment
Personal financial management	21	5	0.8322	Reliable

The results showed that personal financial management was reliable because the Cronbach alpha was greater than 0.7, which was selected as the study's reliability cut-off.

4.4 Demographic characteristics

This section consisted of general information which included; gender of the respondents, age of the respondents

4.4.1 Gender of the Respondents

The respondents were asked to indicate their gender. Results were presented in Figure 4.1.

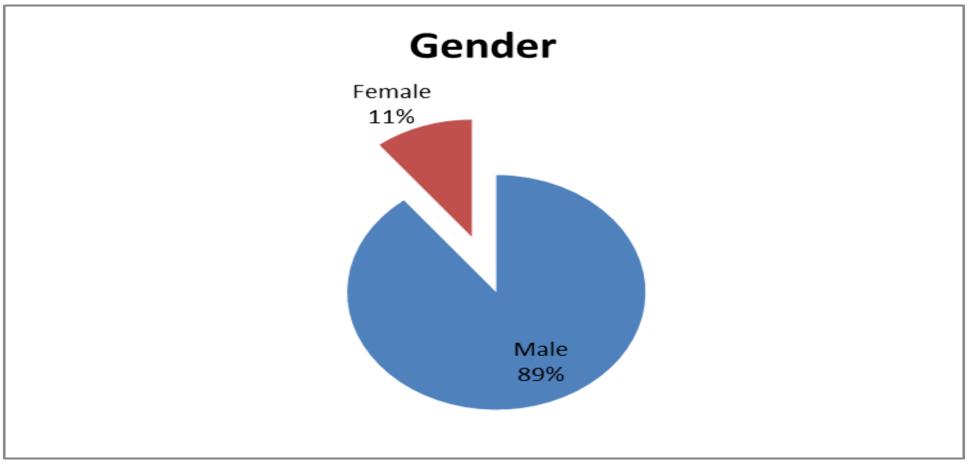

Figure 4.1: Gender of the Respondents

According to the findings, the majority of responders (89%) were males, while 11% were girls. This implied that the majority of financial managers in insurance companies were men.

4.4.2 Age of the Respondents

The respondents were asked to indicate the age. Results were presented in Figure 4.2.

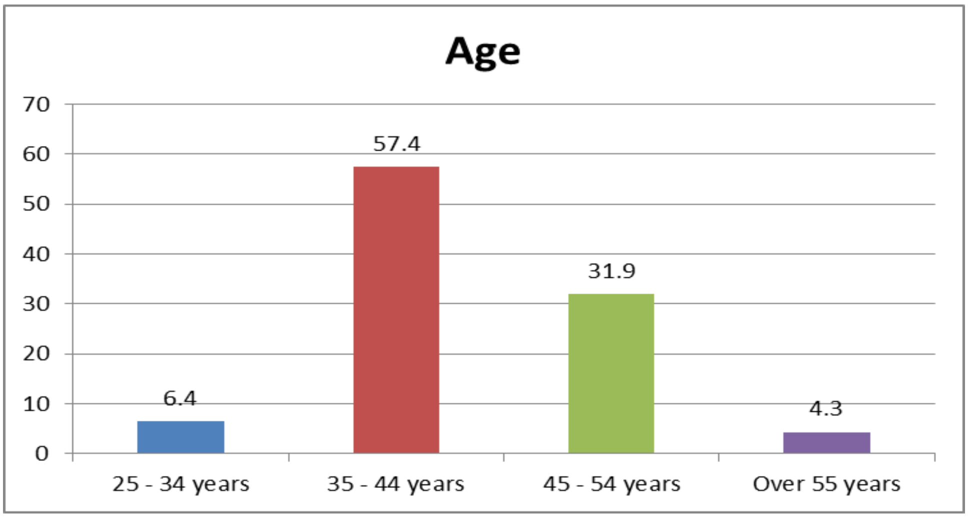

Figure 4.2: Age of the Respondents

The results showed that 57.4% of the respondents had 33 – 44 years, 45 – 54 years had 45 – 54 years, 6.4% 25 – 34 years while 4.3% were above 55 years. This implied that most insurance company financial managers were middle aged people and thus have sharp mind to manage finances.

4.4.3 Education Level

The respondents were asked to indicate the field of specialization. Results were presented in Figure 4.3

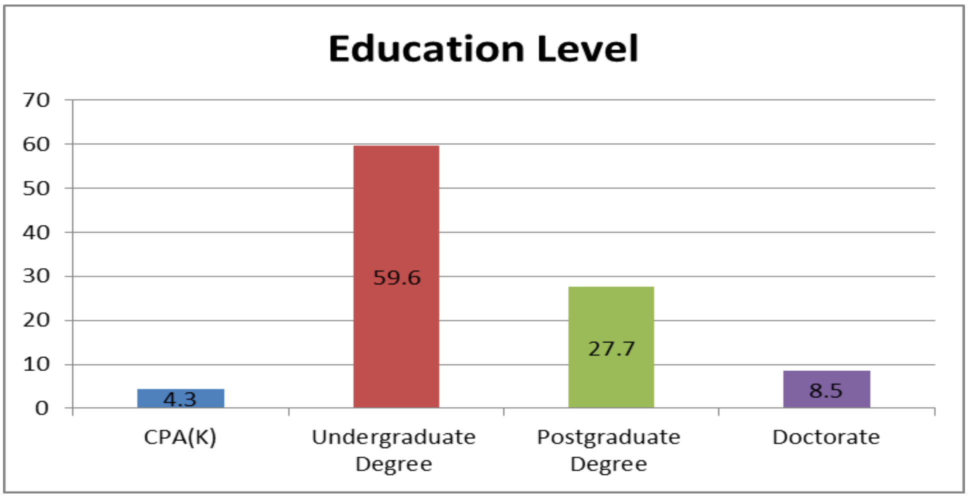

Figure 4.3: Education Level

According to the findings, 59.6 percent of respondents had an undergraduate degree, 27.7 percent had a postgraduate degree, 8.5 percent had a PhD, and 4.3 percent had a CPA (K). This implied that most insurance company financial managers were educated and thus had good knowledge on financial management.

4.4.4 Field of Specialization

The respondents were asked to indicate the field of specialization. Results were presented in Figure 4.4

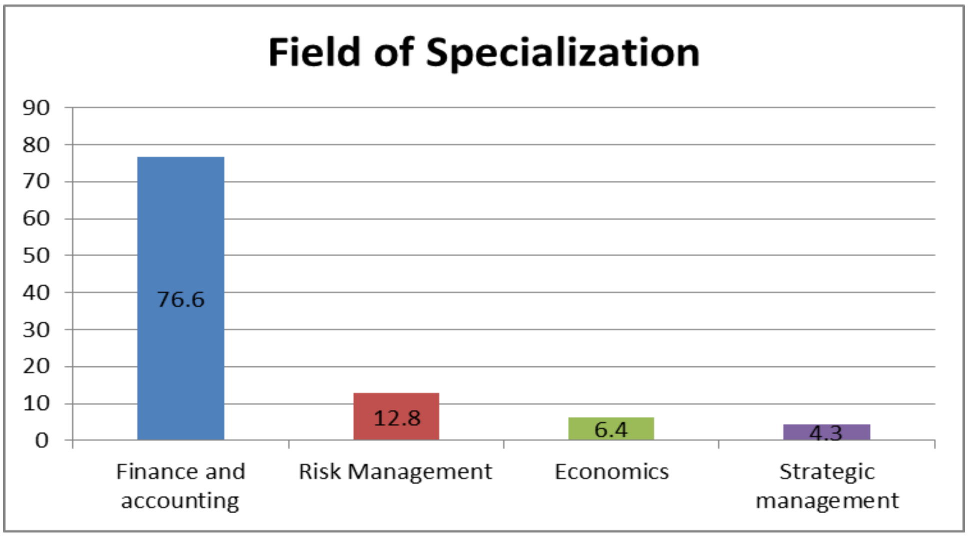

Figure 4.4: Fielf of Specialization

The results showed that 76.6% specialized in finance and accounting, 12.8% of the respondents specialized in risk management, 6.4% specialize in economics while 4.3% had specialized in strategic management. This implied that most insurance company financial managers had specialized in finance and accounting.

4.4.5 Level of Monthly Income

The respondents were asked to indicate the level of monthly income. Results were presented in Figure 4.4.

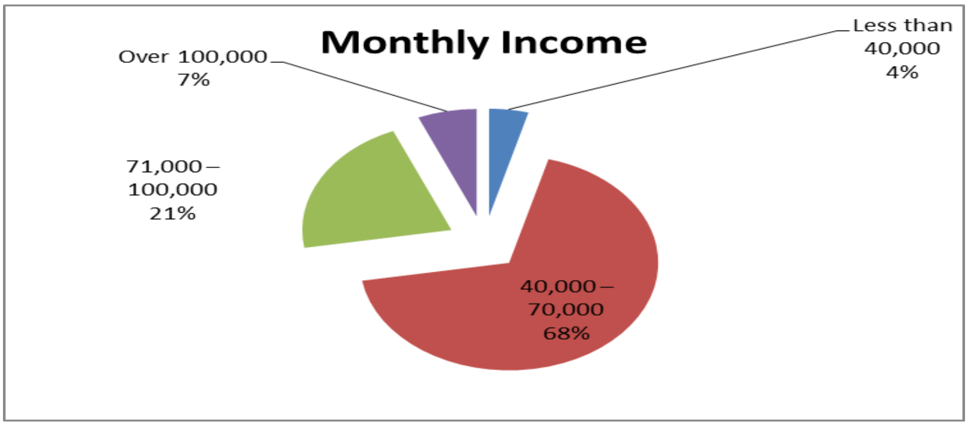

Figure 4.5: Level of Monthly Income

Results showed that 68% of the respondents earned Ksh 40, 000 to Ksh 70,0000, 21% earned between Ksh 71,000 and 100,000, 7% earned above Ksh 100,000 while 4% of the respondents earned Ksh 40,000. This implied that most insurance company financial managers earned between Ksh 40, 000 to Ksh 70,0000.

4.4.6 Number of years in paid up job

The respondents were asked to indicate the number of years in paid up jobs. Results were presented in Tale 4.3.

Table 4.3: Number of years in paid up job

Number of years	Frequency	Percent
6	1	2.1
8	1	2.1
9	7	14.9
10	5	10.6
11	13	27.7
12	4	8.5
13	3	6.4
14	3	6.4
15	4	8.5
16	2	4.3
17	1	2.1
18	1	2.1
20	1	2.1
21	1	2.1
Total	**47**	**100**

According to the results, 2.1 percent of respondents had worked for 6 years, another 2.1 percent had worked for 8 years, 14.9 percent had worked for 9 years, 10.6 percent had worked for 9 years, 27.7 percent had worked for 11 years, 8.5 percent had worked for 12 years, 6.4 percent had worked for 13 years, another 6.4 percent had worked for 14 years, 8.5 percent had worked for 15 years, and 4.3 percent, 16 years. This implied that most insurance company financial administrators had been in paid up job for a long duration.

4.5 Descriptive Statistics for Financial Literacy

4.5.1 Knowledge on Finances

The respondents asked to indicate whether they have knowledge on how to manage their finances. Results were presented in Figure 4.6.

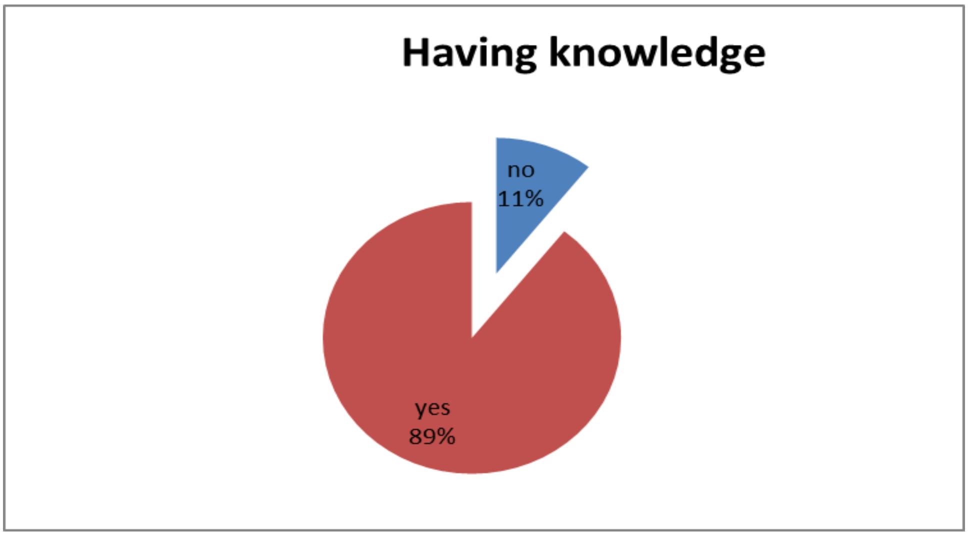

Figure 4.6: Knowledge on Finances

The respondents who were 89% had knowledge on finances while 11% of the respondents had no knowledge on financial management.

4.5.2 Source of the Financial Knowledge

Respondents with financial knowledge were asked to identify the source of their financial knowledge. Results were presented in Figure 4.7.

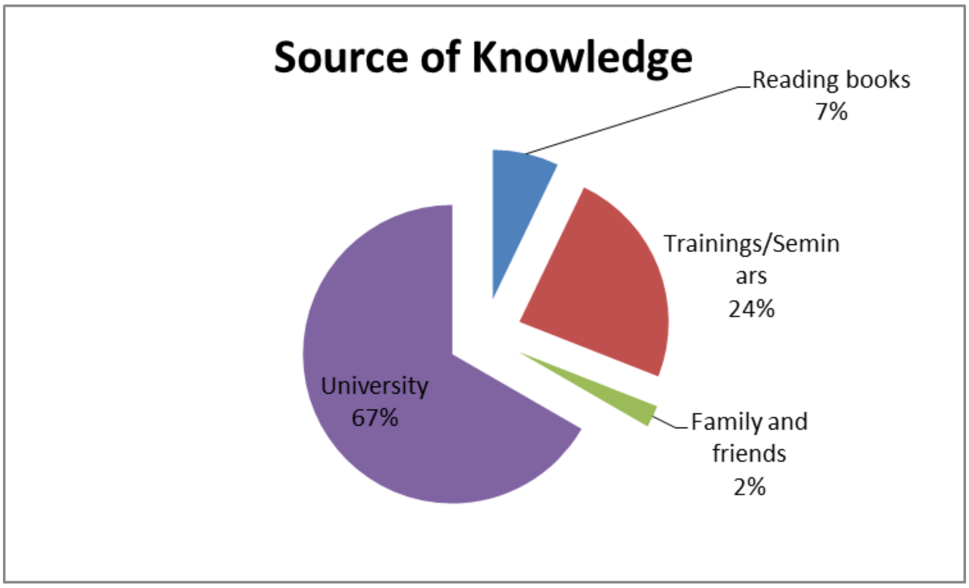

Figure 4.7: Source of the Financial Knowledge

The results showed that majority of the respondents who were 67% had sourced their financial knowledge from university, 24% of the respondents had sourced their knowledge from trainings and seminars, 7% had sourced their knowledge from reading books, 2% had sourced their knowledge from family and friends. This implied that the greatest source of knowledge for insurance companies' managers was university education.

The respondents were further asked to answer the following questions.

a) Suppose you had Ksh. 100 in a savings account and the interest rate is 20% per year and you never withdraw money or interest payments. After 5 years, how much would you have on this account in total. Responses were presented in Table 4.4.

Table 4.4: Question One- Savings

	Frequency	Percent
More than Ksh 200	42	89.4
Less than Ksh 200	2	4.3
Do not know	2	4.3
Refusal	1	2.1
Total	**47**	**100**

Results showed that 89.4% of the respondents gave more than Ksh 200 as their answer, 4.3% of the respondents gave less than Ksh 200 as their answer, 4.3% did not know the answer 2.1% refused to answer the question. This implied that most insurance companies finance managers had correct financial management knowledge since they gave the correct answer.

b) Imagine the interest rate on your saving account was 1% per year and inflation was 2% per year. After 1 year how much would you be able to buy with the money in this account? Responses were presented below.

Table 4.5: Question Two- Interest

	Frequency	**Percent**
More than today	2	4.3
Exactly the same	4	8.5
less than today	40	85.1
Do not know	1	2.1
Total	**47**	**100**

Results showed that 85.1% of the respondents gave less than today as their answer, 8.5% gave exactly the same as their answer 4.3% of the respondents gave more than today as their answer while 2.1% did not know the answer. This implied that most insurance companies finance managers had correct financial management knowledge since they gave the correct answer.

c) Imagine a friend inherits Ksh 10,0000 today and his siblings inherits Ksh 10,000 3 years later. Who is richer? Responses were presented below.

Table 4.6: Question Three- Time value of money

	Frequency	**Percent**
My Friend	42	89.4
His Siblings	2	4.3
They are equally rich	2	4.3
Do not know	1	2.1
Total	**47**	**100**

Results showed that 89.4% of the respondents gave their friend as their answer, 4.3% gave his siblings as their answer, another 4.3% of the respondents indicated that they were equally rich while 2.1% did not know the answer. This implied that most insurance companies finance managers had correct financial management knowledge since they gave the correct answer.

d) Suppose in 2010 your income has doubled and the prices of goods have doubled too. In 2010, how much will be able to buy with your income. Responses were presented below.

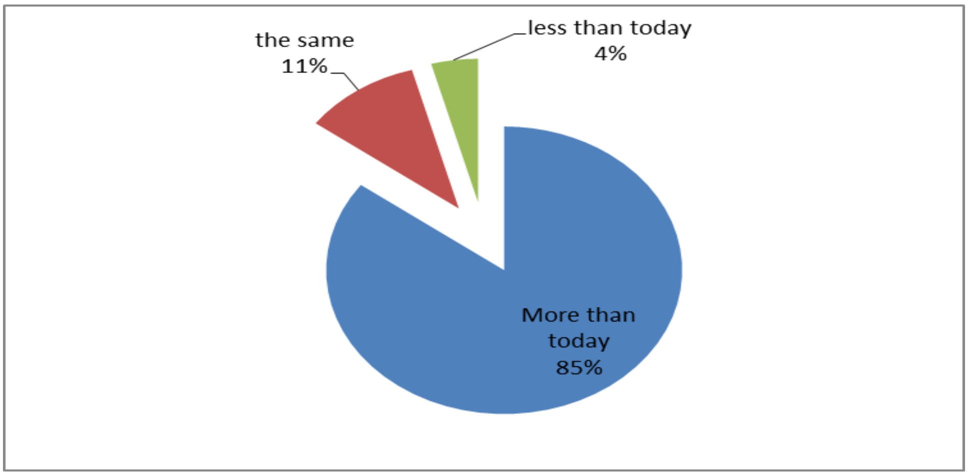

Figure 4.8: Question Four- Inflation

Results showed that 85% of the respondents gave more than today as their answer, 11% indicated the same while 4% of the respondents indicated less than today. This implied that most insurance companies finance managers had correct financial management knowledge since they gave the correct answer.

4.6 Descriptive for Personal Financial Management

Personal financial management had three measures; savings, budgeting and investment.

4.6.1 Savings

Descriptive on savings were presented in Table 4.7.

Table 4.7: Savings

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std.Dev
I have a savings account	8.50%	8.50%	6.40%	19.10%	57.40%	4.09	1.33
I make savings out of my monthly income	6.40%	4.30%	4.30%	19.10%	66.00%	4.34	1.17
I increase my saving when i receive large sums of money	4.30%	21.30%	6.40%	8.50%	59.60%	3.98	1.39
I save for long term goals	4.30%	8.50%	21.30%	61.70%	4.30%	3.53	0.88
I have set aside money to take care of emergencies	6.40%	14.90%	19.10%	42.60%	17.00%	3.49	1.14
Average						**3.89**	**1.18**

The findings revealed that 76.5 percent of respondents agreed with the statement that they have a savings account. Furthermore, 85.1 percent of respondents agreed with the assertion that they save a portion of their monthly income. Furthermore, 68.1 percent of respondents agreed with the assertion that they increase their savings when they get significant sums of money. Furthermore, the majority of respondents (66.0 percent) agreed with the assertion that they save for long-term goals. Furthermore, 59.6 percent of the participants agreed with the assertion that they have set aside money for emergencies.

The aggregate mean was 3.89 implying that the higher number of participants agreed with the line statements on savings. In addition, the standard deviation was 1.18 implying that most responses varied from the mean

4.6.2 Budgeting

Descriptive on budgeting were presented in Table 4.8.

Table 4.8: Budgeting

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std.Dev
I draw a budget every month before any commitments	19.10%	17.00%	0.00%	59.60%	4.30%	3.13	1.31
I spend based on my budget	8.50%	6.40%	10.60%	25.50%	48.90%	4.00	1.29
I compare prices before incurring expenditure	19.10%	4.30%	6.40%	27.70%	42.60%	3.70	1.53
I often spend more than I can afford	27.70%	42.60%	8.50%	12.80%	8.50%	2.32	1.25
I am in control of my money	10.60%	6.40%	2.10%	34.00%	46.80%	4.00	1.32
I keep track of my expenses	25.50%	46.80%	4.30%	8.50%	14.90%	2.40	1.36
I read about personal financial management matters	8.50%	6.40%	10.60%	19.10%	55.30%	4.06	1.31
Average						**3.37**	**1.34**

The results showed that most of the respondents (63.9%) agreed with the statement that they make a budget every month before making a commitment. The results further show that a majority of 74.4% of respondents agree that they spend their budget. In addition, the results of the study show that the majority of 70.3% of respondents agree that they compare prices before costs are incurred. The results further show that a majority of 70.3% of respondents disagree with the statement that they often spend more than they can afford. In addition, the results of the study show that the majority of 80.8% of respondents agree with the statement that they control their money. The results further show that a majority of 72.3% of respondents disagree with the statement that they monitor their costs. The results further show that most of the respondents, 74.4%, agree with the statement that they have read about personal financial management issues.

The aggregate mean was 3.37 implying that the higher numbers of respondents were neutral on the line statements on budgeting. In addition, the standard deviation was 1.18 implying that most responses varied from the mean.

4.6.3 Investment

Descriptive on investment were presented in Table 4.9.

Table 4.9: Investment

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std.Dev
I diversify my investments by putting money into other types of investments.	6.40%	4.30%	4.30%	19.10 %	66.00%	4.34	1.17
I invest out of each amount I receive	4.30%	21.30%	6.40%	8.50%	59.60%	3.98	1.39
I generally achieve my money management goals	4.30%	8.50%	21.30%	61.70 %	4.30%	3.53	0.88
I worry about money matters	6.40%	14.90%	19.10%	42.60 %	17.00%	3.49	1.14
I know about investments	19.10%	17.00%	0.00%	59.60 %	4.30%	3.13	1.31
I have invested on stocks, bonds or mutual funds	8.50%	6.40%	10.60%	25.50 %	48.90%	4.00	1.29
I make contributions to a registered retirement benefit plan.	19.10%	4.30%	6.40%	27.70 %	42.60%	3.70	1.53
I discuss money management with my family	27.70%	42.60%	8.50%	12.80 %	8.50%	2.32	1.25
Average						**3.56**	**1.25**

The results showed that most of the respondents (85.1%) agreed with the statement that they distributed their money in more than one form of investment. An additional statement shows that a majority of 68.1% of respondents agree with the statement that they invest from any amount received. In addition, most of the respondents (66.0%) agree with the statement that they basically achieve their money management goals.

Another statement shows that the majority of 59.6% of respondents agree with the statement that they are worried about money.

In addition, the majority of 63.9% of respondents agree that they have knowledge about investment. Another finding indicates that 74.4 percent of respondents agree with the assertion that they have invested in stocks, bonds, or mutual funds. An additional statement indicates that a majority of 70.3% of respondents agree with the statement that they participate in the registered pension system. In addition, the majority of respondents, that is, 70.3%, disagreed saying that they talked to their families about money management.

The aggregate mean was 3.56 implying that the higher numbers of respondents were neutral on the line statements on investment. In addition, the standard deviation was 1.25 implying that most responses varied from the mean.

4.7 Relationship between Level of Education and Personal Financial Management

The first objective was to establish the connection between level of education and personal financial management among finance managers of insurance companies in Kenya. One way ANOVA was used to test to establish the relationship between level of education and personal financial management.

Table 4.10: One way ANOVA for Level of Education

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	21.069	24	0.878	8.584	0.000
Within Groups	2.25	22	0.102		
Total	23.319	46			

Results showed that the F statistic was 8.584. The p value was 0.000 which was lower than 0.05. This implied that there was a link between education level and personal financial management among Kenyan finance managers of insurance businesses. These findings agreed with Wachira and Kihiu (2012) education level affect access to financial services.

4.8 Relationship between Course Categorization and Personal Financial Management

The second goal was to build a link between course categorization and personal financial management among finance professionals in Kenyan insurance companies. To establish the association between course categorisation and personal financial management, a one-way ANOVA test was utilized.

Table 4.11: One way ANOVA for course categorization

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	11.583	24	0.483	0.647	0.85
Within Groups	16.417	22	0.746		
Total	28	46			

The F statistic was 0.85, according to the results. The p value was 0.85, which was higher than the 0.05 cutoff. This implied that there is no association between course specialty and personal financial management among finance managers in Kenyan insurance businesses. The study findings agreed with the findings of Jayantilal (2017) who indicated that financial literacy affected personal financial management.

4.9 Relationship between Job Experience and Personal Financial Management

The third goal was to establish a link between professional experience and personal financial management among finance managers in Kenyan insurance businesses. The association between course categorisation and personal financial management was established using simple regression.

Table 4.12: Model Fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.590a	0.349	0.334	0.3256

According to the findings in Table 4.12, job experience was determined to be a good variable in explaining personal financial management. This suggests that job experience accounts for 34.9 percent of the variation in the dependent variable, personal financial management. This finding also implies that the model used to link the variables' relationships was satisfactory.

Table 4.13: Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	2.552	1	2.552	24.075	.000b
Residual	4.77	45	0.106		
Total	7.322	46			

The findings in Table 4.13 show that the whole model was statistically significant, as evidenced by a p value of 0.000, which is less than the essential p value of 0.05. An F statistic of 24.075 supported this, implying that job experience was a good predictor of personal financial management.

Table 4.14: Regression of Coefficient

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.679	0.194		13.819	0.000
job experience	0.076	0.016	0.59	4.907	0.000

The coefficient regression analysis revealed a positive and significant link between job experience and personal financial management (=0.076, p=0.000). This meant that a one-unit increase in employment experience would result in a 0.076-unit gain in personal financial management. The findings agreed with Refera and Kolech (2015) who found that work experience is very important in determining employees' personal financial management skills.

4.10 Research Hypotheses

4.10.1 Level of Education and Personal Financial Management

The first hypothesis stated that level of education has no statistically significant relationship with personal financial management of finance managers of insurance companies. Results (Table 4.10) showed that the p value was 0.000 which was less than 0.05. Therefore, the null hypothesis was rejected. The study findings implied that level of education has a statistically significant relationship with personal financial management of finance managers of insurance companies. These findings agreed with Wachira and Kihiu (2012) education level affect access to financial services.

4.10.2 Course Specialization and Personal Financial Management

The second hypothesis stated that course specialization has no statistically significant relationship with personal financial management of finance managers of insurance companies. Results (Table 4.11) showed that the p value was 0.085 which was greater than 0.05. As a result, the null hypothesis did not fail. According to the study's findings, course specialty has no significant link with personal financial management of insurance company finance managers. The study findings disagreed with the findings of Jayantilal (2017) who indicated that financial literacy affected personal financial management.

4.10.3 Job Experience and Personal Financial Management

The third hypothesis stated that job experience has no statistically significant relationship with personal financial management of finance managers of insurance companies. Results (Table 4.14) showed that the p value was 0.000 which was less than 0.05. Therefore, the null hypothesis was rejected. The study findings implied that job experience has a statistically significant relationship with personal financial management of finance managers of insurance companies. The findings agreed with Refera and Kolech (2015) who found that work experience is very important in determining employees' personal financial management skills.

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

The objective of this research was to look at the relationship between financial literacy and personal financial management among finance managers in Kenyan insurance companies. The summary of the findings was highlighted in the chapter. The chapter also included conclusions and recommendations based on the study findings.

5.2 Summary of the Findings

Findings showed that most of the finance managers in the insurance companies were men and they were middle aged. In addition, all the finance managers in the insurance companies were educated with at least a CPA (K) majority having an undergraduate degree. Further results showed that most finance managers in the insurance companies specialized in finance and accounting and they all had more than 6 years in paid in jobs. Results also showed that most of the finance managers in the insurance companies had knowledge on finances. The major source of financial knowledge for the finance managers was university.

The findings revealed that the vast majority of respondents had a savings account. Furthermore, the majority of responders had saved money from their monthly paycheck. Furthermore, the majority of respondents said they boosted their savings when they got significant quantities of money. Majority of respondents stated that they saved for long-term goals. Also the majority of respondents stated that they had set away money for emergencies.

The results showed that most finance managers budgeted every month before any commitments. Further they spent based on their budget. In addition, they compared prices before incurring expenditure. Results also showed that majority of the respondents were in control of their money. According to the findings, the majority of respondents read about personal money management issues. However, the majority of respondents agreed that they frequently spent more than they could afford. Majority of the respondents were also seen not to keep track of their expenses.

According to the findings, the majority of respondents distributed their money across multiple types of investments. According to the statement, the majority of respondents invest a portion of the money they got. Majority of respondents generally also attained their financial goals. According to the following statement, the majority of respondents were concerned about money. Some of the respondents said they had invested in stocks, bonds, or mutual funds. The majority of respondents, according to the document, contributed to a registered retirement benefit scheme. Some of the respondents, however, stated that they did not discuss money management with their family.

According to the one-way ANOVA results, there was a significant relationship between level of education and personal financial management among Kenyan finance managers of insurance businesses. Furthermore, no significant relationship was found between field categorization and personal financial management among finance managers of insurance businesses in Kenya. According to the regression findings, there was a significant and favourable relationship between employment experience and personal financial management.

5.3 Conclusions

The study revealed that there was a relationship between education level and personal financial management among finance managers of insurance businesses in Kenya. The study also concluded that most finance managers were educated.

However, there was no correlation between field categorization and personal financial management among Kenyan insurance finance managers. Furthermore, the study revealed that the majority of insurance company managers majored in finance and accounting.

The study also found a link between employment experience and personal financial management that was both positive and substantial. Furthermore, the majority of financial managers had more than six years of paid experience.

5.4 Recommendations

The research recommended that insurance managers should look for finance managers with good financial knowledge so as they can be able to manage finances. In addition, the insurance companies' management should encourage their finance managers to seek more knowledge of financial management to allow them to better manage their personal finances. The insurance companies' management should make a plan to take their employees through yearly financial literacy training programs as this will not only be beneficial to the personal lives of employees, but also the organization as the employees will be in a better position in managing their funds and be in a position to advise their customers on the funds they keep with the company.

The insurance company's human resource departments should focus more on education background while recruiting new employees rather than paying more attention to the course specialization. This is due to the fact that course specialization has little effect on individual financial management.

Insurance companies should also ensure that their finance managers have a university degree since university is the greatest source of financial management. Further, finance managers should ensure that they keep track of their expenses. They can do so by checking their account statements or use an expense tracking app.

The study recommends that employees should use their financial literacy knowledge and experience gained in the insurance sector to employ investment practices of their personal finances.

5.5 Areas for Further Studies

The study attempted to ascertain the association between financial literacy and personal financial management among Kenyan finance managers of insurance companies. The study concentrated on insurance firms in Kenya; hence, future research should concentrate on insurance companies in other East African nations such as Uganda.

Given that the R squared was not 100 percent, it appears that there are additional elements influencing financial management that the study did not explore. Other research should consequently concentrate on other aspects influencing financial management, such as family size/household size.

There is also lack of studies trying to link financial literacy, personal financial management and individual wellbeing. Thus, more research in this regard are also helpful to enhance the real impact of financial literacy and personal financial management on individual wellbeing.

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APPENDICES

Appendix I: Letter of Introduction

KENYATTA UNIVERSITY,

SCHOOL of BUSINESS,

P.O. BOX 43844-00100, NAIROBI,

Dear Sir/ Madam,

RE: REQUEST FOR DATA COLLECTION

I am currently a student at the post graduate level. I intend to conduct research on the topic "**Financial Literacy and Personal Financial Management among Finance Managers of Insurance Companies in Kenya"**

Find attached questionnaire which is meant to collect information for this research. All information gathered will be safely preserved and will only be used for academic purposes. You are politely required to be honest as you respond to the questions on the questionnaire. Please, do not indicate your name or identification entity on the questionnaire.

Your kind reply will be of much value.

Yours sincerely,

FATUMA WANJIKU MWARANGU

Appendix II: Questionnaire

Dear sir/madam,

The research is being carried out for academic reasons only. Your participation is voluntary and the researcher commits to protecting your privacy and confidentiality.

Section 1: Demographic Profile

1. Please tick the appropriate gender

   a. Male [ ]

   b. Female [ ]

2. Please tick the appropriate age?

   a. 18-24 [ ]

   b. 25-34 [ ]

   c. 35-44 [ ]

   d. 45-54 [ ]

   e. Over 55 [ ]

3. Please tick level of highest education attained

   f. CPA(K) [ ]

   g. Undergraduate Degree [ ]

   h. Postgraduate Degree [ ]

   i. Doctorate [ ]

   j. Others (plse specify) ……………………….

4. Please tick your field of specialization
    a. Finance and Accounting [ ]
    b. Risk Management [ ]
    c. Economics [ ]
    d. Strategic Management [ ]
    e. Others (plse specify) …………………………
5. Please tick your level of monthly income
    a. Less than 40,000 [ ]
    b. 40,000 – 70,000 [ ]
    c. 71,000 – 100,000 [ ]
    d. Over 100,000 [ ]
6. No of years in paid up job………………………..

Section 2: Financial Literacy

1. Do you have knowledge on how to manage your finances?
    a. Yes
    b. No (If no proceed to section 3)

2. What is the source of your financial knowledge?
    a. Reading books [ ]
    b. Trainings/Seminars [ ]
    c. Family and friends [ ]
    d. University [ ]
    e. Others (plse specify)………………………………

3. Suppose you had Ksh. 100 in a savings account and the interest rate is 20% per year and you never withdraw money or interest payments. After 5 years, how much would you have on this account in total?

a. More than Ksh. 200 [ ]

b. Less than Ksh. 200 [ ]

c. Exactly the same amount [ ]

d. Do not know [ ]

e. Refusal [ ]

3. Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?

a. More than today [ ]

b. Exactly the same [ ]

c. Less than today [ ]

d. Do not know [ ]

e. Refusal [ ]

4. Assume a friend inherits Ksh. 10,000 today and his sibling inherits Ksh. 10,000 3 years from now. Who is richer because of the inheritance?

a. My friend [ ]

b. His sibling [ ]

c. They are equally rich [ ]

d. Do not know [ ]

e. Refusal [ ]

5. Suppose that in the year 2010, your income has doubled and prices of all goods have doubled too. In 2010, how much will you be able to buy with your income?

a. More than today [ ]

b. The same [ ]

c. Less than today [ ]

d. Do not know [ ]

e. Refusal [ ]

Section 3: Personal Financial Management

Please respond to the statements below by ticking one of the boxes for each question, as appropriate. Scale: S (strongly agree), A (agree), N (neutral), D (disagree), SD (strongly disagree)

	SA	A	N	D	SD
Savings					
1. I have a savings account					
2. I make savings out of my monthly income					
3. Increase my savings when I receive larger sums of income					
4. I save for long term goals					
5. I have set aside money to take care of emergencies					
Budgeting					
I draw a budget every month before any commitments					
I spend based on my budget					
I compare prices before incurring expenditure					
I often spend more than I can afford					

I am in control of my money					
I keep track of my expenses					
I read about personal financial management matters					
Investment					
I always look for investment advice and opportunities					
5. I spread my money across more than one type of investment					
1 invest out of each amount I receive					
I generally achieve my money management goals					
I worry about money matters					
I know about investments (stock, bonds, mutual funds)					
1 have invested in stocks, bonds or mutual funds					
1 contribute to a registered retirement benefits scheme					
I discuss money management with my family					

Appendix III: List of Licensed Insurance Companies in Kenya

	Licensed Insurance Companies in Kenya	Physical location of Headquaters
1	AAR Insurance Kenya	Real towers,Hospital road,Upper Hill
2	APA Insurance Limited	Apollo center ,Ring Road Parklands
3	APA Life AssuranceCompany Limited	Apollo center ,Ring Road Parklands
4	Africa Merchant Assurance Company (AMACO)	Nextgen Mall ,Mombasa Road
5	Allianz Insuarance Company of Kenya Limited	Allianz Plaza 96 Riverside Nairobi
6	AIG Kenya Insurance Company	Eden Square,Chiromo Road, Nairobi
7	Barclays Life Assuarance Kenya Limited	Acacia Building ,Waiyaki Way
8	Britam General Insurance Company Kenya Limited	Rennaisance Corporate Park,Elgon Road
9	Britam Life Assuarance Company Limited	Rennaisance Corporate Park,Elgon Road
10	Metropolitan Cannon General Insuarance Limited	Gateway Business,Mombasa Road
11	Capex Life Assurance Company	Gakana Plaza,Ngong Road
12	CIC General Insurance Company Limited	CIC Plaza,Upper Hill
13	CIC Life Assurance Company Limited	CIC Plaza,Upper Hill
14	Corporate Insurance Company	Internationa Life House
15	Directline Assurance Company	Hazina Towers,Monrovia Street
16	Fidelity Shield Insurance Company	Equitorial Fidelity Center Waiyaki Way
17	First Assurance Kenya Limited	First Assuarance House,Gitanga Road
18	GA Insurance Company	GA insuarance House ,Ralph Bunche Road
19	GA Life Assuarance Limited	GA insuarance House ,Ralph Bunche Road
20	Sanlam General Insuarance Company	Gateway Place,Millimani Road
21	Geminia Insurance Company	Lemac, Church Road
22	ICEA LION General Insurance Company	ICEA LION Center ,Riverside Park
23	ICEA LION Life Assurance Company	ICEA LION Center ,Riverside Park
24	Intra Africa Assurance Company	Williamson House,4th Ngong Avenue
25	Invesco Assurance Company	Biahop Magua Center, Ngong Road
26	Kenindia Assurance Company	Kenindia House, Loita Street

27	Kenya Orient Insurance	Capital Hill Tower, Cathedral Road
28	Kenya Orient Life Assuarance Limited	Capital Hill Tower, Cathedral Road
29	Liberty Life Assurance Kenya Limited	Liberty House, Mamlaka Road
30	Madison General Insurance Company Kenya	Madison Insuarance House,Upper Hill
31	Madison Life Asssurance Company Kenya	Madison Insuarance House, Upper Hill
32	Mayfair Insurance Company	Mayfair Center, Ralph Bunch
33	Metropolitan Cannon Life Asssurance Kenya	Gateway Business Park,Mombaa Road
34	Occidental Insurance Company	Cresent Business Center,Westlands
35	Old Mutual Life Assurance Company	UAP Ols Mutual Tower ,Upper Hill
36	Pacis Insurance Company	Centenary House,Westlands
37	Sanlam Life Assuarance Company limited	Pan Africa Life House,
38	Pioneer General Insuarance Company Limited	Pioneer House,Moi Avenue
39	Pioneer Assurance Company Limited	Pioneer House,Moi Avenue
40	Resolution Insurance Company	Roshanmaer Plaza,Lenana Road
41	MUA Insuarance Kenya Limited	The Mirage Towers
42	Prudential Life Assuarance Company Limited	Office Suites,5th Ngong Avenue
43	Takaful Insurance of Africa	CIC Plaza, Mara Road
44	Tausi Assurance Company	Tausi Court,Tausi Road ,Westlands
45	The Kenya Alliance Insuarance Company of Kenya	Jubilee Insuarnce House
46	Heritage Insurance Company	CIC House ,Mamlaka road
47	Jubilee Insurance Company Limited	Jubilee House ,Wabera Street
48	Monarch Insurance Company	Monarch House,,Lavington
49	Trident Insurance Company	Capital Hill Tower ,Cathedral Road
50	UAP Insurance Company	UAP Old Mutual Tower ,Upper Hill Road
51	UAP Life Assurance Company	UAP Old Mutual Tower ,Upper Hill Road
52	KUSCCO Mutual Assuarance Limited	Kuscco Center ,Upper Hill
53	Xplico Insurance Company	Park Place ,Parklands

Source: **Insurance Regulatory Authority (2018)**