EFFECT OF FINANCIAL LITERACY ON THE PERSONAL FINANCIAL MANAGEMENT OF KENYA REVENUE AUTHORITY EMPLOYEES

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A RESEARCH PROJECT PRESENTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA) UNIVERSITY OF NAIROBI

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DECLARATION

This research project is my original work and has not been presented for award of a degree in any other university.

Mbarak Mohamed Mbarak D61/34866/2019

Signature: ---------------- Date: 19/11/2021 ----------------

This research project has been submitted for examination with my approval as the University Supervisor.

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Gratitude to my family for their support throughout the time spent to work on this project. Finally, many thanks to all the lecturers and fellow students whom we interacted with during my study at the University of Nairobi. You were a great people.

DEDICATION

This work is dedicated to my late loving father who recently passed on early August 2021, my loving mother, my adoring wife and the entire family for the encouragement during my studies and for their tremendous financial and moral support in ensuring successful completion of my degree program. Thank you everyone and May God rest my father's soul in eternal peace.

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ABBREVIATIONS & ACRONYMS

APR	Annual Percentage Rate
PFM	Personal Financial Management
KRA	Kenya Revenue Authority
FL	Financial Literacy
NCEE	The National Council on Economic Education
HRS	Health and Retirement Study
OECD	Organisation for Economic Cooperation and Development
U.S.	United States
U.S.A.	United States of America
SACCO	Savings and Credit Cooperative Organization
ANOVA	Analysis of Variance
SPSS	Statistical Packages for Social Sciences

ABSTRACT

This study sought to establish the effect of financial literacy on the personal financial management of Kenya Revenue Authority employees based in Mombasa County. Specifically, personal financial management was measured by personal savings and personal debts. Adopted measures of financial literacy included savings/investing literacy, retirement plan literacy, debt & other liabilities literacy and personal characteristics. The research study utilized descriptive design as its research design which was found suitable for objective accomplishment. Stratified random sampling (SRS) technique was adopted to ensure that there is equal representation of labour force. In terms of data collection, the study utilized primary data which was collected from electronically distributed semi-structured questionnaires. Findings of the descriptive statistics showed that on the facets of financial literacy, the participants were to a 'Great extent' financially literate and mostly aware such financial aspects influence their personal financial management practices and decisions. On the literacy level of retirement plans, the findings mostly showed that majority of the respondents were 'to a moderate extent' literate and did not deem it to be highly important and this was mainly attributed to the age of the participants. On the aspect of debt & other liabilities as well as personal debt and personal savings, the participants were literate to a high extent. The results similarly revealed that savings/investing literacy, retirement plan literacy and debt & other liabilities literacy had a strong and positive effect on personal financial management and the effects were statistically significant at 5% level of significance. Personal characteristics' effect on personal financial management was weak and not significant at 5% level of significance. In general, the overall regression analysis model for estimation of personal financial management was considered to be strong with F (2.620), t (6.830), p-values <0.05 and R^2 = .707) which implies that the four independent variable measures are responsible for 70.7% variation in personal financial management. The study recommends the need for introducing financial literacy training programs where trainers should impart comprehensive knowledge on aspects of investing, saving, consumption as well as facets of credit/debt. It also recommends that debtors should have appropriate expenditure plans in place in order to guide their expenditure patterns and fulfil their financial obligations.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The existing world economic conditions have elicited very serious apprehensions and worry regarding the financial security of business organizations as well as individuals. As evident, most people are now forced to take responsibility and make vital decisions for a growing number of financial issues and matters. One of the most key financial decision is arguably being responsible and making the crucial decision of house or home financing with the aim of retirement preparations. (Marianne, 2013). FL is a person's capacity to fully understand and deal to information then implement such ability to make financial decisions that are well-informed in terms of dealing with wealth accumulation, debt management, financial plans and retirement plans. (Lusardi & Mitchell, 2014). Relative to personal financial management, financial literacy supports individuals develop the required ability, information, skills, and instruments to make better and informed choices on financial issues with self-confidence. FL simply enables people to administer their personal finances with confidence and independency.

Theoretically, it is quite unfortunate that poor financial decision-making has astonishingly become a prevalent practice in many countries of the world. Its resulting complications and negative consequences frequently go undetected for a long time pending the occurrence of a crisis. Hence, the great need for having to set specific progressive goals. The goal setting theory proposes that progressive people capitalize on anticipated lifetime efficiency using economic information as a result of setting personal goals. This provides key insight about one's personal finances. Subsequently, the social financial theory posits that a person's behaviour is linked to outcomes, whether a fortification or retribution. Hence, how people behave with finances can impact their financial decision making. The dual-process theory affirms that people's financial decisions are generally guided by two types of development namely intuitive and cognitive. Altogether, these theories offer a ground and direction that will guide this research towards attaining the research objectives. (Bernheim and Garrett, 2013).

Kenya Revenue Authority has been charged by the Government of Kenya to undertake several responsibilities that include revenue collection such as from taxation and other sources stipulated by the country. Supervising and regulating of the authority is done generally by the Minister of Finance (Treasury). Their employees are responsible to carry out key business activities in the scope of assessing, accounting and the overall administration as well as enforcement of laws relative to revenue for the company. Because of their high involvement in financing and accounting, and the fact that the revenue collected goes to the state, it is greatly inevitable that the employees possess various financial skills and are well financially informed. They become attractive for this study as it will look to examine how financial literacy at the work environment may influence personal financial management and its associated decisions. (Njehi, 2013)

1.1.1 Financial Literacy

According to Schreiner, (2007) FL can be described as the control of detailed understanding as well as information and knowledge pertaining to financial affairs. In its essence, financial literacy is primarily used in relation with finance matters concerning personal issues. Often, it involves the financial knowledge necessary and relevant in making decisions concerning particular personal finance fields. Example of such fields include insurance, saving plans, housing benefit plan, real estate, investment, as well as retirement among others. It also involves first-hand knowledge of financial notions similar to financial planning, time value of money, compound interest, credit card mechanism, beneficial savings practices as well as consumer rights, (Mark, 2007).

Financial literacy may be measured using different variables. According to Remund (2010), FL may be measured by four common operational indicators that consist of investing, saving, borrowing and lastly budgeting. These four according to the researcher, are all essential in their ability to use skills and knowledge to effectively manage money. Key measures of FL include financial knowledge, financial planning, financial attitude as well as financial behaviour. This study, however, will measure FL using (i) financial behaviour and (ii) financial knowledge. The study will measure financial behaviour using saving behaviour, consuming behaviour and lastly will measure financial knowledge using saving skills and investment skills.

1.1.2 Personal Financial Management

PFM can be described as the means and ways of managing financial properties and resources in order to attain economic fulfillment in the various life cycle phases that a person lives in. It is stated that personal financial management is a process that is self-motivated despite the various factors that may influence one's PFM. It comprises of activities such as budgeting of a person's income, an individual's expenditure, saving and investing practices, insurance purchase among others. In Kenya as well as in other countries, financial individual objectives and goals take account of having, pension funds, education funds and emergency funds. Money management skills are said to be shaped by three main factors that include the drive to make ends meet, a person's perception of financial management approaches and thirdly, control (Kempson, 2017).

The more people become more financially literate; it is argued that they tend to become progressively more financially informed. It is therefore understood that this may also imply that an individual will turn out to be more proficient and competent. To measure personal financial management, Kendell (2011) asserted that key measures of PFM include personal savings, personal debt, personal investment choices and personal spending. This study will use the first two; personal savings and personal debt as the research's dependent variables of measuring PFM among KRA employees in Kenya. The relevant questions that relate to financial behaviour and financial knowledge will be formulated appropriately and included in the survey.

1.1.3 Financial Literacy and Personal Financial Management

PFM involves using FL and skills to undertake economic and financial decisions that include financial savings, investments, debts/credits, protection such as insurance covers among others. Majority of the research studies undertaken on PFM emphasize on the necessity for improving personal financial literacy of people due to the complication of the financial system, growing entree to credit in addition to billowing cost of life. This requires people to frequently apply personal financial management practices. In spite of developed financial knowledge in finance, not everyone might be well informed. Fundamental FL associated with money management, transactions, choices of financial services and products are all significant if one is to lead a financially healthy life. However, research work undertaken in majority of countries, including few advancing nations revealed that there is a weak level of PFM (Xu & Zia, 2012).

FL and PFM are two concepts that have become a developing public policy and academic debate in majority of the developed nations. However, the endeavor in least developed countries stayed limited. Some of the studies revealed that individuals in developing and emerging countries are likewise struggling from low intensity of financial literacy which requires policy involvement. Government and other relevant parties in financial service should think about personal financial education due to its enhancement of ability for economic decision making. This enhancement will significantly contribute to the improvement of the financial system and lead to sustainable economic growth. In the perspective of a developing country, financially literate people can contribute to improved financial inclusion and the development of financial markets. (Agarwal, 200

1.1.4 Employees of Kenya Revenue Authority

Kenya Revenue Authority (KRA) is a government corporation body that was introduced by Kenya's parliamentary act known as CAP 469 of 1995. The particular roles of Kenya Revenue Authority (KRA) are to conduct assessment, collection, administration and enforcement of laws in order to maximize the Government's revenue from various income sources. It is very vital to acknowledge that KRA plays a vital role towards the economy of Kenya. In fact, during the financial year 2018/19 the authority was responsible for collection of a record Sh. 1.580 Trillion in revenues for Kenya with revenues growing by an annual rate of 11.3% as compared to previous years. This collection accounted for around 94% of the country's total government revenue. (KRA Annual Revenue Report 2019).

The KRA Employees become attractive for research in this field for various reasons one being that the company boosts having approximately 8,000 staffs as its active work force. These employees are said to come from various races and backgrounds and hence, promoting inclusivity. Employee diversity at KRA is in various forms such as age, work experience, education levels and qualification, ethnicity, religion and even hierarchy in the organization as well as different financial levels of financial literacy. Secondly, the employees were also deemed to be attractive as the institution they are working for (KRA) is not a financial or banking institution which makes it different from the organization that was covered by the research as undertaken by Nyamute and Monyoncho (2008) in aspects of expected consideration to financial knowledge through everyday work and training**.**

1.2 Research Problem

Financial literacy among employees is strongly linked to an individual's emotional, personal, social, economic, and employment accomplishment. An individual requires to recognize the fundamentals of PFM and make use of financial supplies in a suitable manner to have better performance in and around the community, at an individual level, professional, business and society pedigree. The lack of FL and its understanding, however, will lead to individuals failing to effectively plan and manage their savings, spending as well as investments. People will be unable to distinguish between personal finances and those of corporations and further find it challenging to decide on how and where to invest their money and plan for retirement. (Lusardi & Michael, 2012). In addition, productivity of individuals at the workplace is negatively implicated by financial problems that may arise largely as a result of personal finance mismanagement. These can include poor credit habits, poor decisions to spend and invest among others. (Campbell & Sol, 2011).

In spite of the importance of FL on PFM, there are very limited studies that have been carried out in Kenya. One of the study that was undertaken by Nyamute and Maina (2011) to examine the impact of FL on PFM of workers only focused on the employees in banking and financial institutions in Kenya. The research revealed that FL had a direct effect on the PFM of banking employees and that the lower the level of an individual's FL, the weaker one is in terms of managing personal finances. In a research study that was carried out by Olima (2013) to examine the influence of FL on PFM on Kenya Revenue Authority workers, the researcher discovered that FL was positively correlated with PFM of employees working in KRA. Nonetheless, a greater portion regarded their PFM as being weak which was due to having inadequate financial discipline. KRA employees are faced with various situations that require sound financial decision making from high levels of financial literacy. This is because poor decisions by such employees may lead to detrimental effects in their lives and the nation's revenue as well. (Obago, 2014). The existing empirical evidence done mainly seem biased towards financial institutions or manufacturing companies with governmental authorities receiving very little to no attention. It is as a result of this disparity that this research study sought to address by assessing the effect of FL on the PFM of KRA employees as a key government authority.

Limited studies were capable to create advanced procedures of FL and conclusively determine causative connections concerning financial education, literacy and behaviour. This study, therefore, pursues to determine any changes that have taken place on the financial literacy position among households since 2008, a time when previous research studies on a similar field were undertaken. In addition, the study also pursues to establish the level and degree of FL among KRA staffs in Mombasa county, and determine its impact on the employees' personal financial management. Finally, this study shall address the methodological gap where most of the existing research measured the effect of FL on PFM mainly by focusing on financial attitude, socialization and financial training as FL measures. PFM on the other hand was mainly measured by financial controls and debt management. This study will employ semi-structured survey and adopt new measures such as financial behaviour as well as financial knowledge to measure FL. PFM will be measured using personal debts, savings and investment choices. It will further identify loopholes in knowledge to the degree that financial literacy is concerned. Hence, this study seeks to answer the question; What are the Effects of Financial Literacy on Personal Financial Management on Kenya Revenue Authority Employees in Mombasa County?

1.3 Research Objectives

The objective of the study is to determine the effect of financial literacy on personal financial management among the employees of Kenya Revenue Authority.

1.4 Value of the Study

This study will be valuable to various parties in the economy. Policy makers may gain immense benefits and advantages in the form of various causes. Firstly, policy makers may employ the research study's key results to formulate programs that are aimed at supporting and advocating saving, investments decisions as well as financial security that may comprise of retirement plans and preparation. Policy makers will also be in a better position to fill the gaps in literacy to devise appropriate education syllabus that will aim at gradually increasing financial literacy in academic institutions, hence resulting in having better financial management capabilities.

The study findings will also add to the broad academia knowledge and information in the context of finance specifically and mainly on financial literacy on financial management. Researchers as well as faculty members will gain valuable benefits from this research paper that will be instrumental in providing direction for further research and in guiding future discussion with the aim of exploring and further developing future studies on FL and its impacts on financial management. Additionally, the research study will also be valuable and useful to the personnel as well as management and employers of different organizations.

From the study findings, the subjects will be in a position to formulate appropriate strategies which will encourage savings for creation and maximization of wealth, select appropriate investment decisions and ultimately best plan for retirement through enrolment of relevant pension plans. This strategy has been deemed to be inventive and demonstrated to be highly effective in boosting pension involvement and membership. One illustration is from the research study conducted by Madrian and Shea (2001), where one of the findings revealed that participation and enrolment of its employees increased by almost 50% from 36% to 85% due to change adoption in the organization’s pension plan. In the process of realization of the actual position of financial literacy among employees, persons will be competent and proficient enough to seek out for information in order to develop and enhance their knowledge, skills and expertise for improved savings, investment decisions and retirement planning.

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

This section of this study contains the relevant theories that will be applied for the purpose of anchoring the research study. This will then be followed by a detailed discussion of the various determinants of personal financial management. Coming after this is the empirical evidence which will look at existing literature on similar research fields and lastly comes the summary of literature review and research gap.

2.2 Theoretical Review

This study will be anchored on three key theories namely, the goal setting, social learning theory and thirdly the dual-process theory which will be discussed in the context of their relevance to examining the effect of FL on PFM.

2.2.1 Goal-setting theory

The goal setting theory was propounded by Edwin Locke in early 1960. The theory as put forward by Locke after building on the initial work done by Cecil Mace in 1935. Goal setting theory declares that the simplest and direct explanation on the basis of motivation of why others perform better than colleagues at the workplace is due to the reason that they do not have similar performance objectives and goals. It mentions that goal setting is fundamentally connected to task performance. In addition, the theory also stipulates that particular and demanding goals alongside suitable feedback will possibly lead to having better and higher performance of assignments and tasks (Edwin & Gary, 2012). Simply put, goals can signify and provide direction to a group, an individual or even business organizations in relation to the specifics of what ought to be done and the actual extent of efforts needed to be put forward so that such goals can be attained.

According to Latham (2014) through the goal setting theory, goals can be used as the most likely determination to gauge how well employees' performances are in relation to tasks. This theory, however, is mostly focused on the goal setting aspect of employees which may sometime be in conflict with management goals and objectives. The resulting goal conflict may result to causing detrimental effects at the workplace that may instead hinder performances. In addition, in order to be operative, the theory of goal-setting presumes that people ought to be dedicated to objectives, ought to receive response and are required to possess the capacity for task performance. Hence, it can be deduced from the goal setting theory that FL curricula ought to be extra effective when driven by insights and interests regarding an individual's financial well-being in future time.

In terms of its relevance to this study, the goal setting theory can provide insight on how training outcomes of employees can be enhanced and improved in a way that will equip them with necessary skills and knowledge to fill financial literacy gap. It will also be relevant in interpretation of data in analyzing and understanding the person life goals of participants relative to their financial literacy. Goal setting theory will also be anchored to propose explanations of the underlying influences or causes of the observed financial literacy as an independent variable.

2.2.2 Social Learning Theory

The foundations of behaviorist learning theories can be tracked as far back as to the 1800's and initial 1900's with the invention of "associationistic" theories of learning. The overall aim was to obtain fundamental learning laws and behavior that might then be expanded to describe more complicated situations. Social learning theory is a behavioral theory that was proposed by Albert Bandura to offer an emphasis on significance of observing. shaping and emulating the emotional reactions, attitudes and behaviors of other people around us in our regular interactions. The theory was explained by Skinner who concluded that once one's behavior is linked to a consequence, whether a fortification or retribution, the possibility of the action to keep on going will change. (Breger, 2013).

Skinner contended that constructive reinforcement and punishment unequal; with the former providing extended long-lasting outcomes while the latter producing negative consequences. (Skinner, 2012). Opponents of the social learning theory cast doubt on the superior scientific origin of behaviorism over psychoanalysis theory of Sigman Freud and its lacking ability to offer explanations about complex behaviors. They argue that social learning theory only considers the observable aspects while ignoring the vital roles of emotions and perceptions (Breger, 2013).

In anchoring to this study, the social learning theory will be used to demonstrate how social considerations for instance information sources along with financial advice can affect the shaping of a person's actions. It is widely asserted that the financial mindsets of people as well as their values concerning money are due to their environmental context. The theory will be used to examine the influences of social relations on the behaviour of research participants. The behaviour will be moulded, assessed and applied to an extensive variety of situations as will be formulated in the questionnaire (Bandura, 1977). Social collaboration may influence financial decisions as human beings obtain and deal with information through networking with others.

According to the theory of social learning, stakeholders are expected to make their decisions regarding with dependency and relying on information that is made available in the industry. Hence, in case investors have information about an investment with high potential returns, then they are most expected to invest in it in order to accumulate and amass better yields in time to come (Doel & Golan, 2013). The advocates and exponents of this philosophy supposed that learning directed a perpetual change in behaviour, experimental learning reveals that people can discover new information without illustrating new behaviours particularly when bearing in mind making financial decisions (Glaeser and Scheinkman, 2003).

2.2.3 The Dual-Process theory

The dual-process concept was proposed by Richard and Cacioppo in 1986. The theory states that financial decisions are guided by both cognitive and intuitive developments, as a result FL may well not always generate most favorable financial decisions. The theory contends that the behavior of high degree of financial literacy could rely on the two reasoning styles that are categorized into two systems where system number 1 is the intuition while cognition is the second system (Glaser & Walther, 2013). Whereas intuition implies the capacity to obtain knowledge with no utilization of reasoning, cognition offers judgements, beliefs or perceptions that cannot be reasonably substantiated. Taylor (1981) quoted by Chan & Park (2013) contends that people who depend on intuition have a preference to take mental short cuts when making decisions that are well motivated principally by emotions of such individuals.

The theory is greatly essential to the study, especially, when examining the financial behaviour and PFM of the participants employees. It will help highlight the thinking styles of respondents when dealing with personal finances and making key financial decisions in their lives. Glaser and Walther (2013) revealed that the optimistic outcomes of FL on rational investing choices is devalued by a great regularity of intuition, and the outcome is an increased usage of intuition which eventually leads to sub-prime investment decisions. Van (2006) asserts that people will be rational and use reason in choosing behaviour that offers them optimal advantages with no reference to previous experience.

Conclusively, no single theory offers a widespread and complete insight of how to undertake and make key financial decisions. Each theory derives from visible variations in decision making and then providing hypothesized reasons. These various reasons are for the differences on how people get to utilize information and apply the same when making decisions. To some greater extent and with diverse emphases, the theories' combination validates the emotional, physiological, behavioural, cultural, and cognitive forces that form and model decisions. Even though the most valuable decision may perhaps be systematically evident, persons come with different values, misunderstandings, concerns, and community-shared goals towards decision making. (Gustman, 2007)

2.3 Determinants of Personal Financial Management

Personal financial management decisions are of great influence on the living standards of people, organizational performance and ultimately even to the general economy. Some of the variables that affect the personal financial management include financial literacy, personal characteristics, demographics such as gender, age as well as education level.

2.3.1 Financial Literacy

Schreiner, (2007) posits that FL can be described as the control of detailed understanding as well as information and knowledge pertaining to financial affairs. In its essence, financial literacy is primarily used in relation with finance matters concerning personal issues. Often, it involves the financial knowledge necessary and relevant in making decisions concerning particular personal finance fields. Example of such fields include insurance, saving plans, housing benefit plan, real estate, investment, as well as retirement among others. It also involves first-hand knowledge of financial notions similar to time value of money, compound interest, credit card mechanism, beneficial savings practices as well as consumer rights, (Mark, 2007).

It may further be incorporated as a process by which people acquire knowledge, skills, as well as attitudes that are pertinent to their successful performance in matters pertaining financial field. Within this atmosphere of financial engagement between parents, children obtain information by just noticing how key members of the family picture financial processes. It involves learning how to manage small to large amounts of money and relate with the fully developed financial world when faced with financial decisions. In general, FL was discovered to have a positive correlation with an individual’s financial management by various empirical literature. Nevertheless, it is extensively acknowledged that the fundamental and financial management skills, behaviours, financial styles and even financial attitude can be initially acquired enable one to become financially literate (Chen and Ronald, 2002).

2.3.2 Personal Characteristics

Personal characteristics entail factors such as gender, behaviour, age, family structure, residence location, academic qualification, marital status as well as income. These variables have been established to have a direct influence on personal financial management of various individuals. Gender, for instance, was discovered by numerous experiential research to have a correlation with the degree of literacy on financial variations. Bernheim, Garett and Maki (2001) discovered that married individuals have the tendency to have better performance on both financial and macroeconomic subjects than their single counterparts. The male gender is also linked with greater financial literacy. Goldsmith and Goldsmith (2007) propose that women score was below that of the men counterpart for the reason that generally, women have less interests in investment and personal finance themes and, as a result, seldomly use financial services as compared to men. Chen and Volpe (2014), and Goldsmith (2007) associated risk willingness and self-belief as key factors to explain the gender disparities in FL.

Correspondingly, Edgar and Dennis (2012), specified that women have a tendency to be extra hesitant when it comes to taking risk as compared to men. On the contrary, Gullivan, Sylvester, and Wanger (2001) detailed that under certain measured economic situations, women do not routinely make financial selections that are less risky when compared to those made by their male counterparts. This signifies that risk opinions regarding female managers and women investors may be more bias or speculation than statistic. From a gender point of view, the differences in male and female in financial concerns for instance behaviour, attitude, and general total knowledge is attributable to varying financial socialization at some point in the early years (Lim, Teo and Loo, 2001). For example, in majority of the human cultures, males develop and grow with the anticipation of becoming the future breadwinners for the family whereas the little girls' anticipation is to care givers and takers. As a result, disparities in gender responsibility prospects presents different approaches to the financial engagements and interactions of young males and females, and, accordingly, the varying levels of FL between themselves (Farha and Pami, 2011).

2.3.3 Financial Attitude

Financial attitude may be defined as a person's state of mind concerning finances which is concluded to have resulted from one's background and environment. Financial attitudes tend to shape financial behaviour which is basically concerned with a person's actions related to management of finances or money. (Roberts and

Jones, 2005). The authors also posit that financial attitudes are the beliefs and feelings about money. In other words, attitudes towards money assist to foresee financial habits and financial administration. Research findings suggest that individuals that have positive financial attitudes and stronger perceptions have a tendency to be extra productive in PFM and are more contented with their financial evaluations (Joe and Gable, 2009). While most of the findings imply that having a positive attitude in relation to money contributes to effective financial management, a few other research works have suggested that individuals with a negative financial attitude are complicated with a better level of financial concerns.

2.4 Empirical Literature

Lewis (2010) investigated whether financial literacy is considered to be vital to informed consumers residing in the United States of America. Financial literacy is categorized into two groups namely advanced literacy and basic literacy respectively. The literacy tested and grouped as mentioned was on the basis of knowledge related to inflation and its effect, knowledge of market interest rates, risk diversification, pricing assessments and lastly, how various financial tools function. FL shortcomings have impacted majority of people's daily PFM as well as their saving ability for longstanding goals with examples such as purchasing of a home, pursuing and advancing one's education, or retirement planning strategies. It is concluded that poor PFM, therefore, may result to behaviours that can make the persons, households, business corporations and even a whole nation to become susceptible to serious financial crises.

Mahendr and Harsha (2013) undertook a research on FL's substantial influence on investment decision. Their exploratory study focused on the impact of FL on investor's decision making in Gujarat and considered the relationship between FL and financial behaviour. Using a chi-square test, the researchers found that FL plays a significant role in manipulating investment decision. On examining the link between FL and financial behaviour, the study observed that FL results to regulated spending pattern and significantly promoted saving practices and behaviour. On the same relationship, the study also revealed that FL also had a substantial effect on investors' decisions on matters investment. Conclusively, FL was discovered to have a statistically significant influence on overall investment decisions. The researchers hence established that FL could empower the making of appropriate investment decisions by investors.

Kinoti (2014) performed a research study FL management and its application among university students in a Kenyan town known as Nakuru, where financial literacy management was examined as a likelihood opposed to unemployment in Kenya. The study investigated saving practices among the students, assessed their investment habits as practiced by the university students and additionally analyzed the mindset of the students with regard to financial management. The study settles that in spite of the great saving capacities among the university students, the saving levels and investment patterns as practiced by them were mostly moderate as matched to the students' noted high expenditure levels. This indicates that differences existed between the students' saving and expenditure. The study also established that in spite of the participants' endeavors to invest in several investment alternatives, a large percentage still did not possess knowledge on important attributes such as return rates and risk-return connection on investments opportunities.

Barbara (2015) evaluated the impact of FL on saving behaviour in the West District of Ghana. The researcher employed quantitative data analysis where both qualitative content evaluation and informative statistics were implemented. The crucial findings of the study discovered that FL has a significant effect on the saving behaviour of individual. The results demonstrated superior level of financial illiteracy amongst the survey participants. This, however, may possibly be as a result of the participants' levels of educational with nearly all of them possessing just elementary school knowledge. The general saving places and locations among them is their respective homes as a result of the difficulties they faced just to save. The researcher proposes that government ought to incorporate FL in the learning curriculum of the elementary as well as the secondary academic institutions.

Agunga (2016) centred on examining the influence of FL on financial awareness and readiness for retirement among pensionable and permanent personnel in Government-owned organizations in the capital city of Kenya, Nairobi. The research utilized a descriptive study design and where inferential statistics and descriptive tools were utilized to analyse the collected data. The study observed that FL has a positive impact on financial readiness in prior preparations during one's retirement. Nevertheless, financial tool literacy was discovered to be trivial while calculation capacity for retirement was substantial. Personal characteristics and financial aspects results showed that they measure the link between FL and financial readiness for retirement, equally, were well significant.

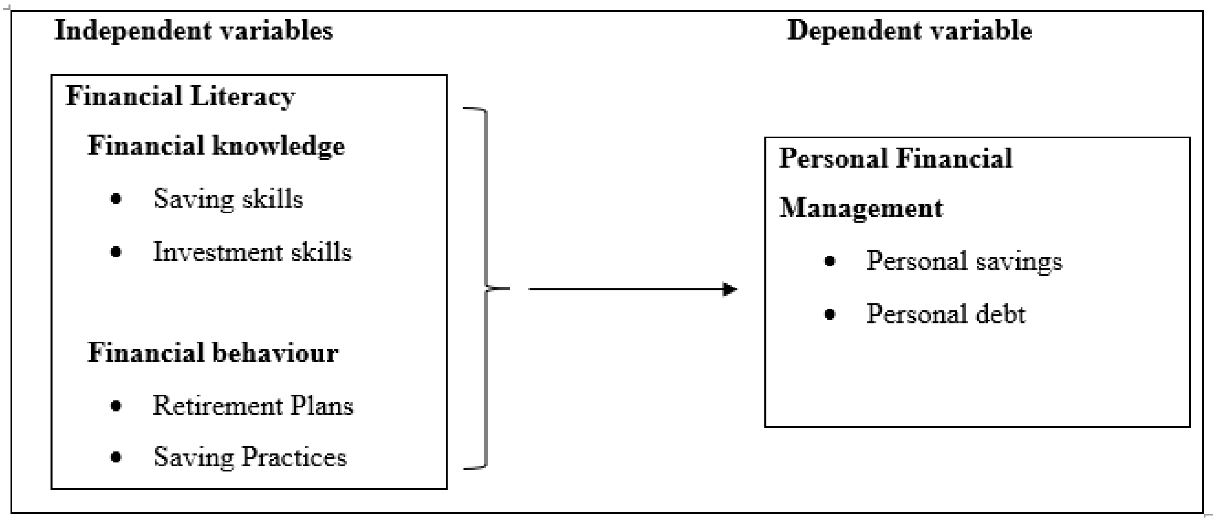
2.5 Summary of Literature Review and Research gap

As a result of the growing convolution of financial instruments, the indication of illiteracy creates the probe of whether users will value FL in their lives and how useful it can be in undertaking PFM practices. No studies conducted have looked at analysing the literacy of respondents in terms of their savings practices, investment practices and also from the perspective of debt practices. Hence, there exists a gap that requires to be filled. This will be accomplished by undertaking a research study that it will aim at determining the FL level of persons and the resulting impact of FL and PFM in the aspects of investment adoptions, savings choices and debt management. Financial knowledge has the potential to directly impact not only the saving ability for retirement, but also impact the various aspects of financial decisions.

Furthermore, the vitalness of financial knowledge can be utilized even in the long-term period because an individual can implement the same in daily decision making. Hence, there is a need to a person's financial knowledge in the basis of long run and not only immediately or as soon as one acquires FL. For example, as explained by Bernheim, et. al., (2001), people who were generally taught or learnt matters pertaining to financial literacy during their times at elementary or secondary academic institutions, they were better positioned to save and invest in their futures. An additional result that is evident from FL studies as well as other existing literature, is that there are explicit population segments that have low literacy levels as well as low amount of income. These individuals seem to save in very different ways than other people who are well more educated and prosperous or rich households.

2.6 Conceptual framework

The following conceptual framework highlights the relationship between the research study's independent variable of financial literacy and the dependent personal financial management variable. Financial literacy in particular, will be represented using financial knowledge and financial behaviour. Personal financial management on the other hand, will be represented with personal savings and personal debt.



Source: Author (2021)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter offers a blueprint that was used in undertaking of the research study. It comprises of the research design, target population, sampling technique used, data collection tools and methods as well as the methods used for analysis, interpretation and presentation sections.

3.2 Research Design

The paper utilized a descriptive research design as it looks to determine the level of FL among KRA employees in Mombasa County and how financial literacy impacts the employees' personal financial management. This type of design was selected for the paper as it utilizes components of both quantitative and qualitative research methodologies to determine a special phenomenon (Mugenda, 2008). Through descriptive research approach, therefore, the study will be enabled to accomplish its objectives.

3.3 Population of the study

The target population of the study was employees working for Kenya Revenue Authority based in Mombasa. According to Kenya Revenue Authority's Eighth Corporate Plan 2021/22 – 2023/24, the parastatal has over 6,000 employees with around 1,200 at the coast region. (KRA 8th Corporate Plan, 2020). The Governmental authority employs a well diverse workforce who are believed to be well qualified especially in matters finance and accounting. however, a substantial number of employees working at the company lack good personal financial management skills necessary to deal with their own financial issues. (Wycliff, 2015). Various cases have been spotlighted where employees of the authority have led to mismanagement of the financial records of clients. (Nyamute, 2011). At per with the vision as stipulated by KRA journal, the revenue authority requires each and every staff to learn concepts related to financial literacy which are vital for their success in a complex workplace environment. In general, employees of KRA were therefore found to be an attractive study population.

3.4 Sampling and Sample Design

In line with ensuring a complete level of labour force are equally represented, the research will adopt a stratified random sampling (SRS) technique. According to Michael (2011), stratified sampling technique is expedient and beneficial because it facilitates and allows for the minimization of variations within strata, particularly, in the event of population that is considered to be heterogonous. Hence, the purpose and aim of employing the SRS technique is to attain the required depiction from various population sub-groups, in this case KRA employees in Mombasa. Additionally, stratified sampling technique has the advantage of permitting the use of diverse sampling techniques for various sub-populations, therefore, resulting in the improvement of the population representation accuracy. The population was stratified into several job groups from which 120 employees were selected to make the overall sample size. The employees' sample size was established using the suggestion as stipulated by Kumbo and Trump (2007). The researchers reveal that sample size of 10-30% is sufficiently illustrative for the study population. The study used the basis of 10% recommendation. Sample size: 10% x1,200 = 120 employees.

3.5. Data Collection

Primary data collection will be adopted. Primary data will be assembled using semi-structured surveys that will be distributed electronically to the research participants. Questionnaires were found to be highly suitable given the current situation pertaining covid-19 restrictions. In addition, the survey questionnaire approach was also selected by study due to its suitability and usefulness in finding relevant objective data given that the respondents are not controlled or biased in any way by the investigator. The questionnaire constituted of both open-ended and closed questions to solicit relevant information and provide participants with a platform for brief description. The closed questions seek out to obtain data that could be analysed using quantitative methods while the open questions will provide qualitative data. The researcher will make regular follow-up appointments and schedule phone calls where necessary for reminding purposes to the surveyed to complete the questionnaires.

3.6 Validity and Reliability

The research instrument will be tested before the actual exercise through a conduction of a pilot study on 5 employees of the treasury in order to verify its reliability as well as validity. In order to confirm the validity of the research, the study sought key suggestions and opinions from professionals. This accelerated the required modification and alteration of research study tool thus, improving validity. Cronbach's Alpha will be used as a measure of internal consistency to test the reliability of the research instrument. The value that will be obtained will be compared with Alpha value of 0.7. The main questionnaire will then follow, after the pilot study has been conducted. The pilot study will be initiated as soon after the project has been approved

3.7 Data Analysis

The filled-in questionnaires will be modified for comprehensiveness and uniformity. Quantitative data will be analysed by utilizing descriptive statistics while qualitative data will be examined with the aid of content analysis. Quantitative data will be coded and keyed into SPSS Version 1.0.0.1406. The study will also use multiple regression analysis to determine the relationship between FL and PFM using the variables as discussed in the background section of this study in chapter one. The regression analysis will be undertaken using the multiple linear regression model. The following equation showcases the regression formula to be employed.

$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$. Where:

β_0 = regression constant and ε is error term while β_1 to β_4 are regression coefficients

Y = financial management score computed as the index of items in financial management practice scale.

X_1 = savings/investing index calculated from its scale. (FL)

X_2 = personal characteristics index calculated from demographic scale (control variable)

X_3 = retirement literacy index calculated from pension scale, and.

X_4 = debt and other liabilities literacy index calculated from its scale.

3.7.1 Operationalization of variables

Category	Study Variable	Operational variable	Measurement	Supporting literature
Independent variable	Financial Literacy	Financial knowledge	Investment skills Saving skills	Njehia (2014)
		Financial behaviour	Saving practices Retirement planning	Nyamute (2011)
Dependent variable	Personal Financial Management	Personal savings	Savings ratio	Dayib (2017)
		Personal debt	Credit score	Denis (2014)

3.7.2. Test of Significance.

In the study, the F test will be used to test the joint significance of all the coefficients. In addition, the T-test will be used to test the significance of individual coefficients. Moreover, adjusted R^2 will be employed to depict the strength of the significance level of the study variables. The model's significance will be assessed using analysis of variance experiment which is commonly referred to as ANOVA. The analysis of variance will be carried out at the 95% confidence level where $\alpha \leq 0.05$. T-test significance will further be used to test the significance of the variables incorporated in the model. Given that the study will be dealing with samples, it is irrational to conclude that it is 100% sure that the disparity between the population and the sample is substantial.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This section will constitute data analysis, reporting of research results and finally cover the discussion of research findings. The first section will look at the descriptive statistics and its corresponding analysis where mostly mean and standard deviation aspects of the variables will be used for analysis. Inferential statistics will include correlation analysis, regression analysis as well as the ANOVA analysis test.

4.2 Response Rate

The research study's questionnaires were distributed to a total of 120 participants. The total respondents who successfully undertook the questionnaire, completed it and sent it back constituted of 105 in total which is an equivalent representation of a response rate of 87.5%. According to Samuel & Ezekiel (2011), a response rate that is 50% can be deemed to be sufficient for carrying out analysis whereas a response rate that is above the 70% mark is deemed to be exceptional.

Table 4.1: Response Rate

Gender	Frequency	Percentage
Male	58	55%
Female	47	45%
Total	105	100%

Source: Author (2021)

4.3 Reliability and Validity

This section provides insight on the research study's validity as well as reliability as two key components of ensuring consistency and accuracy of the study findings. Whereas validity refers to how relevant the results are in terms of measuring what they have been intended to measure, reliability refers to the measure's consistency in producing accurate and similar results if repeated. (Andrew, 2007).

4.3.1 Research Reliability

Reliability tests were conducted to measure the research tool's capability to generate consistent measures. The vital testing was carried out by adopting the Cronbach's coefficient which was done through the application of SPSS software. As mentioned in section three of this study, a value of more than 0.7 indicates excellent reliability and the decision is to accept the measure (Keith, 2018). The following table shows the reliability test results. Items that have several response options use coefficient alpha during scale development.

Table 4.2: Reliability Results

Scale	Cronbach's Alpha	Decision
Financial literacy	0.901	Accept
Personal characteristics	0.781	Accept
Financial attitude	0.721	Accept
Debt and other liabilities	0.841	Accept
Personal Financial Management	0.761	Accept

Source: Author (2021)

4.3.2 Research Validity

Validity refers to how relevant the results are in terms of measuring what they have been intended to measure. To ensure validity, the questionnaire was structured in a very simplified familiar language to ensure that each and every participant is well-positioned to answer without any questions ambiguity. The questionnaire's internal validity was also further tested using a pilot test which was conducted on approximately 15% of participants selected from a target population that was not related to the sample in any way or form. The pilot study outcomes proved that the questionnaire was well structured and was also easy to attempt and complete. All the questions in the three sections were also established to be fully understood and easy to fill in.

4.4 Descriptive Analysis

Different variables were integrated in the first section of the questionnaire to evaluate the participants' demographic characteristic. These included gender, age, education level, work experience in years, job grade as well as level of income for employees working at Kenya Revenue Authority in Mombasa County. The descriptive statistics applied include frequency, mean and standard deviation. Frequency is a measure of frequency and was used to indicate the regularity of participants' responses. The mean on the other hand as a measure of central tendency was used to determine the central position of the study's data set. As for standard deviation as a measure of variation, it was used to assess the study's data spread around the central position (mean). The tables that follow highlight the results based on participants' demographics.

4.4.1 Gender

Based on the descriptive statistics employed to provide a summary of the questionnaire participants, the results on the aspect of gender given that it is an important component in assessing personal financial management, revealed that 58 of KRA employees, representing 55% were males while females were 47, representing the remaining 45%. Therefore, this indicates that most or a major part of the respondents were males. Table 4.3 shows the gender data summary.

Table 4.3: Gender

Category	Frequency	Percentage
Female	58	55%
Male	47	45%
Total	105	100%

Source: Researcher (2021)

4.4.2 Age

To investigate the significance of age on personal financial management of participants from KRA in Mombasa, the following Table 4.4 highlights the age bracket results

Table 4.4: Age.

Category	Frequency	Percentages
18-25 years	12	11%
26-35 years	28	27%
36-45 years	34	32%
46-50 years	21	20%
Above 50 years	10	10%
Total	**105**	**100%**

Source: Researcher (2021)

With reference to Table 4.4 above, the age results show that 11% of the total participants from KRA were aged between 18 and 25 years, 27% were aged between 26 and 35 years old, 32% were between 36 and 45 years, 20% were between 46 and 50 years and lastly 10% were aged above 50 years old. The above findings show that majority of the respondents were those with their ages between 36 to 45 years, inferring that majority of them were old enough to comprehend about aspects that affect their personal financial management.

4.4.3 Duration of Employment at KRA

The study also found it relevant to ask the participants about their duration of employment at Kenya Revenue Authority. The results are highlighted in Table 4.5 below.

Table 4.5: Employment Time

Category	**Frequency**	**Percentages**
Less than 5 years	15	14%
Between 6 to 10 years	37	35%
Between 11 to 15 years	44	42%
More than 15 years	9	9%
Total	**105**	**100%**

Source: Researcher (2021)

Based on the findings of the study, majority of the respondents, 44 specified that they have been working for Kenya Revenue Authority for periods ranging between 11 and 15 years. This accounted for 42% which was then followed by 35% which represented 37 respondents who specified that they have been working in the same organization for 6 to 10 years. Those who have been working at KRA for less than 5 years at KRA were 15 accounting for 14% while those above 15 years were 9 respondents, accounting for around 9%. Therefore, the study findings pointed out that majority of respondents have been working at KRA for years ranging between 11 and 15.

4.4.4. Education level

The study also found it to be of relevance to identify the respondents' level of education. Table 4.6 below indicates the results.

Table 4.6: Education Level

Category	Frequency	Percentages
Certificate	0	0%
Diploma	24	23%
Degree	68	65%
Masters/Postgraduate	13	12%
Total	**105**	**100%**

Source: Researcher (2021)

The results in table 4.6 above indicate that majority of the respondents are graduates with degrees which accounted for 65%. In addition, 23% specified that they hold college diplomas while 12% of the respondents were either having masters or were post-graduates. The results further imply that respondents possess practical education necessary to perform assigned responsibilities effectively and also relevant to making wise financial decisions.

4.4.5. Current Job grade at KRA

The study additionally looked to further realize the current job grades available at KRA relevant to the respondents.

Table 4.7: Job Grades

Job Grade	Frequency	Percentages
Below KRA 3	14	13%
KRA 3 – 4	26	25%
KRA 5 – 6	25	24%
KRA 7 & Above	40	38%
Total	**105**	**100%**

The findings showed that majority of the KRA respondents fell at KRA job grade 7 and above equivalent to 38% followed by 25% whose job grade was between KRA 3-4. In addition, those who were between KRA 5 – 6 constituted of 25 participants which accounted for 24% and lastly those below KRA 3 accounted for 13% as can be seen in Table 4.6 above. In terms of grade definitions, job grade KRA 7 and above denotes low-level employees along with supervisors, as for job grade KRA 5-6 this constitutes of middle level management, while KRA 3-4 constitute of top-level management. Lastly, job grade below KRA 3 include departmental heads. The job grade variable was found to be significant in terms of promoting inclusivity and fair representation of respondents in order to increase the research's objectivity.

4.4.6. Income level

As for the income level as a demographic variable, 40% of the respondents, equivalent to 42 people indicated that they receive an income of between Sh. 20,000 – 50,000 per month. 23 respondents, representing 22% indicated to receive an income of between Sh. 51,000 – 100,000 per month. In addition, 24% equivalent to 25 respondents also indicated to receive an income of between Sh.100,000 – 150,000 per month and lastly, 15 respondents (14%) indicated to receive an income of above Sh.150,000 per month

4.5 Facets of Financial Literacy

Section B of the study's questionnaire asked respondents to specify the extent of financial in various aspects of financial management. Likert-scale was adopted in a 5-way response options that ranged from Not Applicable indicated by (1) to Very Great Extent as indicated by (5). The marks of 'Not Applicable' (1) and 'Less Extent' (2) were deduced to represent a variable which had a small extent (S.E) impact whose mean score scale was structured to fall between 0 - 2.5 on the Likert scale. Hence, ($0\leq$ S.E <2.4).

In addition, the marks of 'Moderate Extent' (3) were deduced to represent a variable whose effect was considered to be moderate (M.E.) and whose mean score on the Likert Scale was structured to fall between 2.5 - 3.4. Hence, ($2.5\leq$ M.E. <3.4). Lastly, the marks of 'Great Extent; and 'Very Great Extent' were deduced to represent a variable whose effect was considered to be large (L.E.) and whose mean score on the Likert Scale was structured to fall between 3.5 – 5.0. Hence, ($3.5\leq$ L.E. <5.0). As for the standard deviation, a value greater than 1.5 was deemed to indicate that there exists a significant difference on the effect of the study variable amongst the participants.

4.5.1. Financial Knowledge

Table 4. 8: Financial Literacy Aspects

FINANCIAL KNOWLEDGE (Saving skills & Investing skills)	**N**	**Mean**	**Std. Deviation**
I know what I want to accomplish financially	105	3.5905	1.0161
I am aware of the income I will require if I am unable to work again	105	3.7238	.8262
I know how long I could survive with my savings, in case of a crisis	105	3.3905	.9353
I have entirely identified and listed my financial objectives.	105	4.0381	.7328
I recognize all the benefits available to me at KRA	105	3.6571	1.0079
A positive cash position is vital for my financial pursuit	105	3.5905	.9677
I essentially save for life's contingencies in 10 years' time	105	3.6952	1.1361
I am pleased with my current savings and investments rates	105	3.6667	1.0621
I find it vital to maximize tax efficiency in my investments	105	3.1619	1.1939
I am gratified with my investment's accomplishment on top of my retirement savings.	105	3.6762	1.3045
A systematic re-balancing of investment is essential	105	3.9238	.9577
I was financially affected by covid-19 pandemic	105	4.3333	.8046
Valid N (listwise)	**105**		

Source: Researcher, (2021)

The table above constitutes section B of the survey questionnaire that respondents of the research were shared with to indicate their extent of financial literacy on each aspect using a five-point Likert scale to highlight their views. Given the criterion as discussed in section 4.5 of this study, a mean score of between 3.5 to 5.0 is an indication that the researchers' extent on the financial literacy aspect is of great extent (LE). From the table above as analysed in SPPS, majority of the respondents indicated to have financial literacy to a great extent in different aspects in terms of its impact on personal financial management.

For instance, the aspect of I have entirely identified and listed my financial objectives, (M=4.03, S.D =0.733), I recognize all the benefits available to me at KRA (M=3.66, S.D =1.007), A systematic re-balancing of investment is essential (M=3.92, S.D =0.957), I am pleased with my current savings and investments rates (M=3.67, S.D =1.062), I am aware of the income I will require if I am unable to work again (M=3.72, S.D =0.826), I know what I want to accomplish financially (M=3.59, S.D =1.016), A positive cash position is vital for my financial pursuit (M=3.60, S.D =0.967), I am gratified with my investment's accomplishment on top of my retirement savings (M=3.67, S.D =1.305). All these are examples of the financial literacy aspects where respondents indicated to have to a great extent, financial literacy. Respondents also indicated that Covid-19 has affected their financial well-being to a great extent with (M=4.33, S.D =0.804).

There were also some financial literacy aspects where the respondents indicated to have financial literacy to a moderate extent. These include aspects such as I know how long I could survive with my savings, in case of a crisis (M=3.39, S.D =0.935), I find it vital to maximize tax efficiency in my investments (M=3.16, S.D =1.193). in conclusion, it can be indicated and summarized that the findings of the majority of the respondents of the study concluded to have financial literacy to a great extent relevant to the aspects of financial literacy in table 4.8.

4.5.2. Financial Behaviour.

Table 4.9.

Financial Behavior (FB)			
Financial Behavior (Retirement planning & Saving practices)	**N**	**Mean**	**Std. Deviation**
I maximize my retirement contributions each year	105	2.5619	.8936
I have an operating savings account which I personally manage	105	3.1205	.9374
I have setup a personal pension plan	105	3.2452	1.1276
I am a member of KRA's pension plan that offers satisfactory pension	105	2.4333	.7241
I have a backup income source in case of a misfortune	105	2.2186	.8820
I make sure that I have savings kept aside every month	105	3.2505	1.0349
I have the ability to sustain my standard of living after retiring	105	3.5524	.9605
A portion of my income goes to savings and pension scheme regularly	105	3.4476	.9803
Valid N (listwise)	105		

On the aspect of financial behaviour as one of the measures of financial literacy, the respondents were asked to demonstrate their financial literacy using a 5-points Likert scale extending from Not Applicable (1) to Very Great Extent (5). Results or outcomes from the table above as computed using SPSS revealed that majority of the respondents indicated the responses to a "Moderate extent" with majority of the mean score of their responses ranging between 2.4 to 3.5 which has been termed to indicate financial literacy to a moderate extent of the financial literacy aspects. For example, I maximize my retirement contributions each year (M=2.56, SD=0.8936), I have an operating savings account which I personally manage (M=3.12, SD=0.9374), I have setup a personal pension plan (M=3.24, SD=1.1276, I make sure that I have savings kept aside every month (M=3.25, SD=1.0349, A portion of my income goes to savings and pension scheme regularly (M=3.44, SD=0.9803. All these financial literacy aspect statements are examples where the respondents indicated to having financial literacy to a great extent which generally provides an insight of the respondents' financial behaviour. There are also a few instances where respondents' responses indicated financial literacy to a less extent such as I am a member of KRA's pension plan that offers satisfactory pension (M=2.43, SD=0.7241) and I have a backup income source in case of a misfortune in my life (M=2.21, SD=0.8820). The findings reveal that the respondents are not really focused on planning for retirement and the unforeseen future. This could be as a result of the age of the respondents given that the age demographic revealed that majority of the respondents have an age of between 36-45 years.

4.5.3 Debt and Liabilities Literacy Index

Table 4.10. Debt and Liabilities Literacy Index

Financial Literacy Facet			
Debt and other liabilities Literacy	**N**	**Mean**	**ST. Deviation**
I have knowledge of interest rates on all my loans	105	4.0000	.86603
Personal loans are a good alternative to borrow in the market	105	3.5143	.98170
I only opt to take personal loans when I consider to be necessary	105	3.6381	.86740
I am able calculate the interest on a loan on an annualized basis	105	3.7524	.76938
Valid N (listwise)	105		

The survey participants were also questioned to indicate their financial literacy using the Likert scale in response to debt and other liabilities' literacy and respond to each of the statements in the table below with one of the five options ranging from Not Applicable (1) to Very Great Extent (5). The mean scores and standard deviations of their responses are indicated below. The findings indicate mixed results. On the question of whether the respondents had knowledge or knowhow of the interest rates on all of their loans, I have knowledge of the interest rates on all my loans (M=2.15, SD=0.86603) which indicates that the respondents' financial literacy on the aspect is to a "less extent" as the mean score falls between 0 to 2.5.

4.6. Personal Financial Management

Furthermore, section C of the questionnaire also asked the respondents to demonstrate their personal financial Management actions in the various financial management aspects as can be seen in the table below. The respondents were to indicate their specific responses in each aspect using one of the six-points Likert scale responses. The options ranged from Not Applicable (1), Never (2), Rarely (3), Sometimes (4), Usually as (5) and lastly Always (6). The six options were categorized into pairs to represent small extent, moderate extent and lastly large extent depending on their mean scores as follow. An indication of Not Applicable and Never by the participants were a representation of variable that has an effect of "small extent" with mean scores ranging from 0 to 2.4 ($0\leq$ S.E <2.4). Similarly, the indications of Rarely and Sometimes were taken to be a representation of a variable whose effect was to a "moderate extent" with mean scores ranging from 2.5 to 3.4 ($2.5\leq$ S.E <3.4). Lastly, the scores of Usually and Always were seen as a representation of a variable whose impact was to a "large extent" on the Likert-Scale with mean scores of between 3.5 to 6.4 ($3.5\leq$ L.E. <6.4). As for the values of standard deviation, a score of more than 1.5 indicates that there exists a substantial variation on the influence of the variable amongst survey respondents.

4.6.1. Personal debt

Table 4.11. Personal Financial Management facets

PERSONAL FINANCIAL MANAGEMENT (Personal Debt)	N	Mean	Std. Deviation
I fully settle my credit card bills	105	3.4381	0.8674
I timely settle my mortgage fully	105	4.5143	1.0841
I go beyond the limit on my credit card	105	4.8952	1.0183
I spend more than I gain in a month	105	3.8476	1.0263
I utilize different sources of credit	105	4.2476	1.1075
I weigh up my credit/debit each month	105	4.6190	1.0504
I have checks returned due to inadequate account balance	105	2.5048	1.1104
I have utilized overdrafts	105	3.7143	1.2381
I have never defaulted on any loans	105	4.6095	1.2747
I have a credit score of good standing	105	3.4476	1.3586

Personal Debt

Table 4.11 above highlights the different personal financial management statements that were shared to the participants for their input. From the results of the participants based on their Likert-scale choice selection, it is evident that most of the researchers were practising prudent personal financial management practices given the majority of the mean scores fall between 3.5 to 6.4 which represents a variable whose impact is considered to be of “Large Extent”. Examples of such statements include “I timely settle my mortgage fully” with (M=3.44, SD=0.8674). “I utilize different sources of credit” with (M=4.25, SD=1.1075). “I spend more than I gain in a month” with

(M=3.85, SD=1.0263). Statements whose mean scores were a representation of a variable an impact to a moderate extent include "I have checks returned due to inadequate account balance" with (M=2.50, SD=1.1104). hence, the results reveal a conclusion that the participants sometimes and usually practice prudent personal financial management practices.

Personal savings

On the aspect of personal savings as one of the key measures of personal financial management, which is the study's subject variable, table 4.12 indicates the statements formulated to measure the extent of the participants' personal saving using a six-point Likert-scale. From the mean scores and standard deviation values as evident from the table below, majority of the respondents seem to usually or always undertake personal savings practices given that the mean scores are mostly a representation of a variable whose impact indicates a "large extent". For instance, "I budget money for savings, monthly" with (M= 4.94. SD= 1.0545).

4.6.2. Personal Savings

Table 4.12

PERSONAL FINANCIAL MANAGEMENT (Personal Savings)	N	Mean	Std. Deviation
I have a set budget that I adhere to	105	4.9619	1.0912
I budget money for savings, monthly.	105	4.9429	1.0545
I budget for investment every month	105	4.7238	1.1222
I am a SACCO (s) member	105	4.5238	1.1610
My personal savings have positive account balance	105	4.7333	1.2954

4.7. Correlation Analysis

The correlation analysis was used to analyse the relationship between the study variables. The range of the correlation coefficient is between +1 and -1. Whereas a correlation of -1.0 is an indication of a perfect negative relationship, a correlation of 1.0 on the other hand is an indication of a perfect positive correlation. If the correlation coefficient is higher than zero then there exists a positive relationship between the study variables. On the contrary, if the value is below zero then the variables' relationship is one that is negative. A correlation value that is closer to 1 indicates a very strong relationship, a value between 0.5 to 0.7 indicates a moderate correlation while a value from 0.3 to 0.5 indicates a low correlation.

Table 4.12. Correlation

		Personal Financial Management	Savings/Investing Literacy	Retirement Literacy	Debt & Other Liabilities	Personal Characteristic
Personal Financial Management	Correlation	1				
	Sig. (2-tailed)					
Savings/Investing Literacy	Correlation	.820	1			
	Sig. (2-tailed)	.013				
Retirement Literacy	Correlation	.0840	.757**	1		
	Sig. (2-tailed)	.016	<.001			
Debt & Other Liabilities	Correlation	.848	.728	.759	1	
	Sig. (2-tailed)	.015	.049	.018		
Personal Characteristics	Correlation	.687	.712	.746	.865	1
	Sig. (2-tailed)	.042	.006	.000	.011	

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

Table 4.13 Correlational Analysis

Table 4.13 showcases the coefficients of correlation between the various variables that were selected for the study. The dependent variable is represented by personal financial management while the independent variables include financial knowledge, financial behaviour, debt and other liabilities as well as personal characteristics which was used as the control variable in the study. The correlation between savings/investing literacy and personal financial management was obtained as 0.820 which implies a strong and positive relationship between the two variables. Given that the p-value was found to be 0.013 which is less than 0.05 (5%), the results are therefore significant at 5% level of significance. In addition, the correlation coefficient between retirement literacy and personal financial management was obtained as 0.840 which is also an indication of a strong and positive relationship between the two variables. Similarly, with a p-value of 0.016 which is less than 0.05, the results are also significant at the 5% level of significance. Furthermore, the correlation between debt & other liabilities with personal financial management is represented with a coefficient of 0.788 which also indicates a strong and positive relationship between the two variables and the significance is at 5% level of significance based on the value of p-value. Lastly, the correlation coefficient between personal characteristics and personal financial management was found to be 0.128 which indicates a positive but very weak relationship between the two variables. The correlation is significant at 5% level of significance based on the p-value.

4.8. Regression Analysis

The regression coefficient's symbol is an actual indication of whether correlation between the study's independent and dependent variables is one that is negative or positive. If the coefficient is positive, this implies that as the independent variable increases, the dependent variable's mean also has a tendency to increase. One the other hand, if the coefficient is negative, this insinuates that as the independent variable increases, the dependent variable decreases. The R-squared value as a statistical measure of fit signifies the variation extent of dependent variables that can be explained by the independent variable.

Table 4.14: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.841[a]	.707	.497	.0540028

Table 4.14 reveals the regression model summary. R^2 which is referred to as the coefficient of determination was found to be 0.707 or 70.7%. This coefficient is used to explain the percentage variation of personal financial management (dependent variable) as explained by the changes in independent variable measures. In general, from the model, it can be concluded that 70.7% variation in PFM can be justified and supported by financial knowledge, financial behaviour, personal characteristics and lastly debt and other liabilities. The remaining 29.3% can be explained by other variables other than those considered under this research study. Adjusted R square was obtained as 0.497.

4.8.1 Analysis of variance (ANOVA)

Table 4.15. ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	**Regression**	0.7220	3	.241	2.620	.034[b]
	Residual	9.317	101	.092		
	Total	9.491	104			

a. Dependent Variable: PFM

b. Predictors: (Constant), DOL, FB, FK

Table 4.15 shows the results of the analysis of variance (ANOVA). The F-value was obtained as 2.620 and this was found to be statistically significant given that the p-value of 0.034 is less than 0.05 (5%). Conclusively, the study therefore finds that the total regression model is significant. Hence, this indicates that the research's independent variables of savings/investing literacy, debt and other liabilities, personal characteristics and retirement literacy collectively, have a significant explanation on the extent of PFM of the research participants.

4.8.2. Multiple Regression coefficients.
a Dependent Variable: Personal Financial Management.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	4.074	.597		6.830	<.001
Savings/Investing	.261	.103	.132	2.554	.012
Retirement Literacy	.326	.194	-.011	1.692	.029
Debt & other liabilities	.544	.271	.062	.210	.035
Personal Characteristics	.005	.104	.005	.048	.961

The regression equation formulated was, $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$. Based on the above table, the regression equation therefore become,

$Y = 4.074 + 0.261 (X_1) + 0.326 (X_2) + 0.544 (X_3) + 0.005 (X_4) + \acute{\varepsilon}$

β_0 = regression constant and ε is error term while β_1 to β_4 are regression coefficients

Y = personal financial management score

X_1 = savings/investing index calculated from its scale. (FL)

X_2 = personal characteristics index calculated from demographic scale (control variable)

X_3 = retirement literacy index calculated from pension scale, and.

X_4 = debt and other liabilities literacy index calculated from its scale.

The implication of the above regression equation is that considering all the variables into account i.e., savings/investing literacy, personal characteristics, retirement literacy and debt & other liabilities literacy, personal financial management will turn out to be 4.074. The table results also reveal that assuming keeping the rest of the independent variables at zero, a single unit increase in the savings/investing literacy will result in in personal financial management to increase by 0.261 among the KRA employees. Similarly, a unit increase in personal characteristics will result in personal financial management to increase by 0.326 holding other factors constant. On the other hand, a unit increase in retirement literacy will result to personal financial management to increase by 0.544 and lastly, a unit increase in debt & other liabilities will result to an increase of 0.005 in personal financial management among KRA employees.

The Standardized Beta Coefficients are considered as measures of every single variable's contribution towards the general model. A higher value signals that a unit shift in the variable tends to have a great impact on the criterion variable. In addition, the t-value as well as Sig which represents p-value, offers an overall approximation of the effect of every predictor variable. Specifically, a great value of absolute t value as well as a small p-value indicates that an independent variable is greatly impacting the criterion variable. All the variables had statistically significant results where the p-value was lesser than 0.05 except for personal characteristics.

CHAPTER FIVE

SUMMARY, CONCLUSION & RECOMMENDATIONS

5.1. Introduction

This section is going to outline provide a summary of the research findings, conclusions and lastly offer appropriate recommendations with reference to the research's objective. It will also cover the limitations of the study in addition to also providing recommendations and proposals that will be relevant in conducting further research.

5.2. Summary of Findings

The research study's objective was to determine the effect of financial literacy on the personal financial management of KRA employees in Mombasa County. Specifically, the research sort to establish the effect of savings/investment literacy, personal characteristics, retirement literacy, and debt & other liabilities literacy on the personal financial management practices of KRA employees. The research study utilized descriptive design as its research design which was found suitable for objective accomplishment. The population of the study constituted of employees working for KRA in Mombasa county. The company boosts having over 6,000 total workers where around 1,200 employees are stationed at the Mombasa, in Coast region. Stratified random sampling (SRS) technique was adopted as the most suitable technique in order to make sure that there is equal representation and participation of labour force.

In terms of data collection, the study utilized primary research where data from survey participants was collected through the adoption of semi-structured questionnaires. Data was then analysed quantitatively using both descriptive statistics as well as content analysis. Collected data was then coded based on participants' indications of Likert-scale. The coded data was then inputted into Statistical Packages for Social Scientists (SPSS) for analysis. Results of the analysis that constituted tables was mainly based on descriptive statistics and multiple linear regression analysis with the aim of determining the relationship between financial literacy and personal financial management.

From the study results, the first section covered the demographic statistics of the research participants. On the aspect of gender, males were found to be the dominant gender. In addition, the study also sought to find out the level of education of the respondents. The results revealed that majority of the participants are learned with undergraduate degrees. As for the job grade level, majority of the participants were grouped at entry and intermediate levels. Lastly, the demographics also sought to determine the respondents' income level.

Furthermore, the findings of the descriptive statistics also provided a realization that on the facets of financial literacy, the participants possessed financial literacy to a 'Great extent'. This reveals that they are mostly aware that financial aspects influence their personal financial management practices and decisions. On the literacy level of retirement plans, the findings mostly showed that majority of the respondents were 'to a moderate extent' literate and did not deem it to be highly important and this was mainly attributed to the age of the participants. On the aspect of debt & other liabilities as well as personal debt and personal savings, the participants were to a 'Great extent' literate.

5.3. Conclusion

The research study looked to determine the effect of financial literacy on the personal financial management of personnel working at KRA. In this respect, the study looked at savings/investment literacy, personal characteristics, retirement literacy and debt & other liabilities literacy and their impact on personal financial management which was measured using personal savings and personal debts. Various conclusions can be undertaken on the basis of the prior analysis conducted in chapter four of this research. One is that savings/investing literacy is a positive and significant contributing factor of personal financial management ($\beta = 0.261$, $t=2.554$) making all the other variables constant.

Secondly, it is also conclusive that retirement literacy is also a positive and significant determinant of personal financial management ($\beta = .326$, $t=1.692$), presuming the other factors remain constant. Thirdly, conclusion is that debt & other liabilities literacy are also a positive and significant determinant of personal financial management ($\beta = .544$, $t=.210$). Lastly, it is also concluded that personal characteristics are not a significant determinant factor in terms of informing personal financial management practices and decisions ($\beta = .005$, $t=.048$). In general, the overall regression analysis model for estimation of personal financial management was considered to be strong with F (2.620), t (6.830), p-values <0.05 and $R^2 = .707$) which implies that the four independent variable measures are responsible for 70.7% variation in personal financial management.

5.4. Recommendations

Financial literacy has been seen to exhibit a substantial effect on personal financial management practices and decisions. It is therefore a contributing determinant that may affect one's financial decision making and ultimately one's quality of life. With regard to this, the study therefore recommends and highlights the need for introducing financial literacy training programs where trainers and assessors should impart comprehensive knowledge on aspects of investing, saving, consumption as well as facets of credit/debt. In addition, based on the research results, the study also recommends that debtors should have appropriate expenditure plans in place in order to guide their expenditure patterns and fulfil their financial obligations in order not to be financially restricted by the extent of changes in interest rates. In addition, youthful workers in both the Government and private sectors should be encouraged and empowered to begin saving soon enough life despite being young and having no fixed commitments in life yet. This enable them to think beyond their youthful years and financially plan in a suitable way for retirement and long-term future.

Another key recommendation offered by this study is that policy makers ought to focus on investing significantly in education which will be instrumental in the creation of awareness on the need and importance of planning for retirement early enough and adequately. Individuals that are faced with debt and credit issues, are mostly people whose financial literacy is weak and low making them improbable to amass wealth and effectively manage it without being taught and educated on how to plan for retirement. Furthermore, workers from different sectors including informal and formal ought to be urged to incorporate the concept of budgeting given its significant importance especially in personal financial management planning and decision-making. One is that budgeting and living within one's financial boundaries helps to control unnecessary spending. (Mark, 2011)

5.5. Limitations of the study

While undertaking the research, the researcher was faced with numerous difficulties and limitations that are considered to limit the research study to a certain extent. One of the key challenges faced is that a good number of research participants were a bit hesitant to fully disclose personal financial information. It is natural of people to feel that disclosing such vital information which may portray shortcomings in their personal financial management view may be upsetting. However, this research study ensured and guaranteed utmost confidentiality to all the survey respondents. In addition, a few of the participants also felt that certain information pertaining their financial management aspects was too important to disclose in the survey questions and thus a few may have resorted to fill in inaccurate and biased answers.

Furthermore, the research was also carried out during a global pandemic period that caused various restrictions and challenges. One is that of reaching the respondents for their participation given the covid-19 restrictions in place. The survey had to be carried out electronically which made follow ups and data collection a time-consuming exercise which data coming in randomly and at different intervals. Secondly, given that people around the world were financially impacted as a consequence of covid-19, majority of the respondents may have restricted their investment and savings plans due to financial shortages which may have also impacted their responses.

In addition, the research solely focused on Kenya Revenue Authority employees working in Mombasa County. It would have been ideal to carry out the study across the organization's employees stationed across different counties and region. However, due to both time and financial constraints along with covid-19 movement restrictions, this could not be attained. Increasing the representation of KRA employees from different stations would have enhanced the research's information reliability and consistency. As a result, the findings of the study may be limited in terms of its application to other organizations in the country as well as other KRA stations in the country given the different financial challenges employees are faced in different areas.

5.6. Suggestions for Further Research

This study focused on the effect of financial literacy on personal financial management on Kenya Revenue Authority employees. It is therefore recommended that comparable research should be reproduced in other organizations in a different industry. The findings of the comparable study may then be assessed in order to find out if there is uniformity on the influence of FL on PFM among participants working in different organizations. Most of the strategies on FL focused on impacting the effects of FL on PFM and hence do not recognize anticipated outcomes due to numerous factors. It would be interesting to conduct studies exploring implementation of the strategies and to find out the impact of the various financial literacy programs in place in KRA and other organizations in the area of financial literacy and personal financial management. It is also recommended that similar research to this one on respondents be undertaken but over an extended timeframe. This is crucial so that to obtain information about their financial literacy levels and financial management practices over a certain timeframe since reasonable consumers have ever-changing knowledge levels over time.

The study offers a suggestion for further research citing the need to carry out further studies that will focus on the effect of financial literacy on personal financial management on SMEs (Small & Medium Enterprises) in Kenya to determine whether management and employees within the scope of such organizations comprehend the importance of financial literacy aspects and its influence on personal financial management. Thereafter, both conclusions and recommendations may be drawn relative to the results of the study.

In addition, it would be noteworthy to undertake a further study on the impact of access to financial information relevant to make investment decisions on companies that are listed at the Nairobi Securities Exchange (NSE). Such a study would be valuable in highlighting the importance of financial information on investment selections and decisions. The study will further assist in providing vital suggestions to organizations on the need for investing more resources towards enabling access to financial information so that individuals can be able to invest in profitably.

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