FINANCIAL LITERACY AND FINANCIAL MANAGEMENT OF THE YOUTH ENTERPRISE DEVELOPMENT FUND IN KONOIN CONSTITUENCY KENYA

BY

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DECLARATION

This research project is my original work and has not been presented to any other institution or university.

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This research project has been submitted for examination with my approval as university supervisor.

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DEDICATION

This paper is dedicated to almighty father who gave me the strength, endurance and resilience to undertake this project.

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ACRONYMS AND ABBREVIATION

CBF - Commonwealth Bank foundation

GDP - Gross Domestic Product

IRA **-** Individual Retirement Accounts

OECD - Organization of Economic and Cooperative Development

RBA - Reserve Bank of Australia

SME - Small and Medium Enterprises

YEDF - Youth Enterprise Development Fund

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ABSTRACT

Financial literacy is low both globally and locally. This is due to the fact that many people do not possess the necessary skills to manage their finances effectively leading them to mistakes that can otherwise be avoided. Financial illiteracy is mainly indicated by the rising level of personal debt and lower personal saving rates among individuals. Financial literacy is a very vital skill in the management of finances for it helps an individual avoids financial mistakes which in turn lead to financial independence. A cross sectional descriptive survey technique was adopted to find out the financial literacy and financial management of the youth enterprise development fund in Konoin constituency. A representative sample of 250 respondents was selected using random sampling technique. The study used primary data which was collected from the respondents using a detailed questionnaire which had both open ended and close ended questions. Data was then analyzed by using regression analysis and descriptive statistics which was presented using mean, correlation, standard deviation and percentages. The analysis was then visually displayed using graphs, frequency tables and charts. Based on the findings financial literacy had a direct relationship with financial management with many youth lacking the basic skills in financial planning practices. The level of financial literacy among the youth was low which was attributed by low level of financial knowledge, less exposure to managing finances and also their education levels. It was also found out that parent and peers played a crucial role in transferring knowledge to the youth. The study recommends that government should come up with more intensive financial literacy programs where the youth are trained prior to receiving the funds these will greatly combat losses and the youth will be able to deal with the complex financial system which will greatly contribute to growth of the economy and achievement of vision 2030.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Financial literacy is not an absolute state it is a continuum of abilities that is subject to variables such as age, family, culture, and residence. Financial literacy refers to an evolving state of competency that enables people to respond effectively to ever changing personal and economic circumstances (Brown, *et al.* 2006) According to the Unified theory of personal finance by Scotts Adam personal financial decisions are best achieved using a nine point formula which enables individuals achieve their financial independence. Financial literacy skills enable individuals to navigate the financial world, make informed decisions about their money and minimize their chances of being misled on financial matters (Beal and Delpachitra, 2003, Raven, 2005).

According to the prospect theory investors make choices in situations that involve risks thus evaluating the potential gains and losses to protect their investments. The level of financial knowledge tends to influence their attitude that in turn affects the financial behavior. Individuals with more knowledge identified more efficient options and reacted more effectively to financial issues. Insufficient financial management skill was a restraining factor toward in creating and managing enterprises (Chen and Volpe, 1998). The need for financial literacy has become noteworthy with the deregulation of financial markets and the easier access to credit as financial institutions compete strongly with each other for market share, the rapid growth in development and marketing of financial products and the Government's back up for people to take more responsibility for their incomes. Young generation should understand the basics of investing and planning for the future and the relationship among various financial concepts such as the risk and return, short term and long term investments and the shortfalls of not planning adequately (Beal and Delpachitra, 2003). Financial literacy is considered to be low among youth which is due to the level of complexities and variety in the financial world. On the other studies in the UK have shown that numeric skills are also low among youth (Atkinson & Kempson, 2004). Numerical skills are important in assisting the understanding of financial skills. The benefits of high literacy include incurring less fees and charges on credit cards, having a higher net worth, saving earlier for retirement, and having less debt overall.

The essential basis for both avoiding and solving financial problems is having financial literacy skills which are vital to living a prosperous, healthy and happy life (CBF, 2004b). Research shows that financial problems are often the basis for divorce, mental illness and varieties of other unhappy experiences (Kinnunen and Pulkkinen, 1998; Yeung and Hofferth, 1998).Youth in Kenya had been neglected by the major policy holders and were facing a myriad of problems such as unemployment, underemployment and poor of access to finance. To address their plight the governments come up with Youth enterprise development fund in the year 2006.

1.1.1 Financial Literacy

Financial literacy is the ability to make judgments and to take effective actions regarding the current and future use and management of money. Financial literacy should include the ability to understand financial choices, plan for the future, spend money wisely and been ready for life time events such as job loss and retirement (Basu, 2005).

Vitt and Anderson (2001) Financial literacy is the ability to read, analyzes, manage, and communicate about the personal financial conditions affecting material well-being. It includes the ability to discern financial choices, discuss money and financial issues without discomfort, plan for the future and respond competently to life events affecting everyday financial decisions, including events in the general economy. On the other hand Mason and Wilson (2000) defined financial literacy as an individual's ability to obtain, understand and evaluate the relevant information necessary to make decisions with an awareness of the likely financial consequences. The importance of financial literacy cannot be underestimated for an illiterate consumer is unable to budget appropriately to meet expenditures, unable to identify the financial products, unsure how to get and access independent financial advice and are most likely to fall victims of abusive practices and scams (ASIC, 2003).

1.1.2 Financial Management

"Financial" relating to finance, or money, and can also be interpreted as the science of managing money. Management means to control something in a way that is satisfactory. Hence financial management is that managerial activity which is concerned with the planning and controlling of financial resources. Planning, directing, monitoring, organizing and controlling of the monetary resources (Suad Husnan & Enny Pudjiastuti, 2006). There is need for basic numeracy skills such as the ability to calculate returns on investments, the interest rate on debt, and basic arithmetic ability. They also have to understand the benefits and risks associated with particular financial decisions such as spending, borrowing, leverage and investing. Ability is required to understand basic financial concepts, including the tradeoff between risk and return, the main attributes of different types of investments, other financial products, benefits of diversification and the time value of money. (Widdowson & Hailwood, 2007). The lack of knowledge in financial management contributes to the low survival of new venture creation and eventually the high rate of failure among the entrepreneurs and frequently the entrepreneurs are intimidated by financial management (Timmons and Spaneli, 2007).

1.1.3 Effect of Financial Literacy on Financial Management

Financial literacy does not exist as a separate set of skill it involves application of more general information, numerical problem solving and other core essential skills in the finance context (Murray, 2011). According to the life cycle saving theory by Modigliani and Brumberg individuals both plan for consumption and saving behaviors over long term and tend to even out their consumption in the best possible manner over their lifetime based on the available resources and current stage of life. Young people tend to have consumption needs that exceed income and have little savings hence the theory links them with lower skill in finances and hence a need for them to have financial literacy skills. In the middle aged stage individuals' earnings generally rise enabling them to settle debt accumulated and save. In retirement stage income declines and individuals consumes the previous accumulated earning. The theory further assume that people are forward looking across their life span and they make predictions, understand and make informed choices over the use of the financial resources which is far from truth, in the real world only a small number of people have such know how and are in a position of managing their resources effectively (Modigliani and Brumberg, 1954).

Prospect theory by Kahneman and Tversky asserts that individual make choice in situations that involves risks and people make decisions based on potential value of losses and gains rather than final outcome hence need for the basic financial literacy skills in order to mitigate such risks and make an informed decision. Individual also needs to plan on how to use their financial resources well over their life time in order to succeed in their financial issues. As indicated by Scott Adams in the Unified theory of personal finance decision by individuals and households for the management of resources is best achieved using a nine point formula which enables individuals achieve their financial freedom (Adams, 2002). The theories demonstrate that financial literacy skills have an immense effect on an individual financial management hence the need for financial literacy programs to equip them to better traverse on the financial issues.

1.1.4 Youth Enterprise Development Fund

The Youth Enterprise Development Fund came legally into operation on 8th December 2006. It was transformed into a State Corporation on 11th May 2007. The target youths are between 18 to 35 years. The Fund focuses on enterprise development as a key strategy that will increase economic opportunities for, and participation by Kenyan youth in nation building. The loan targets all forms of youth owned enterprises whether owned individually, as a company, in groups, in cooperatives or any other legal forms of business ownership. The Funds are disbursed by the government through the financial intermediaries and the Constituency Youth Enterprise Scheme. The core functions of the youth development funds is to provide access to capital for the youth, create market opportunities for their product and services, support growth of their businesses and facilitate employment of the youth. The objectives of the fund is to Provide loans to existing youth enterprises, support youth oriented micro, small and medium enterprises to develop linkages with large enterprises, facilitate marketing of products and services of youth enterprises both in the domestic and the international markets and facilitate employment of youth in the international labor market (www.yedf.go.ke).

1.1.5 Konoin Constituency

Konoin Constituency is located in former Rift Valley Province Kenya, in the South Rift region, Bomet County. The constituency was arched from Kericho East and Bomet Constituencies in 1988. The population of Konoin is estimated at 138,798 as per the 2009 population census of which the total youths are 43,208 where 22,369 are males and the female are 20,839. Their major economic activities are tea growing, horticulture products, cattle and bee keeping. The exclusivity of Konoin is that it is classified among the constituencies where 60% of the residents lives below the poverty line which attributes to low rate of development and low business survival which in turn make the youth vulnerable to high rates of unemployment. Despite the fact that it is a high potential zone affluent with agricultural product and a responsive climate hence the research will focus on this constituency due to its exceptionality (www.konoinconstituency.co.ke).

1.2 Statement of the Problem

Financial literacy is low both globally and locally. This is due to the fact that many people do not possess the necessary skills to manage their finances effectively leading them to mistakes that could otherwise be avoided. It aligns with the life cycle saving theory which states that people are forward looking across the span of their life time and they make mistakes due to lack of knowledge, faulty logics, cognitive dissonance and biased statistics. The problem has been fueled by easy accessibility of credit cards together with personal loans, low interest rates and other payment options, which has led to an increase in spending, consumption and a rapid rise in both personal and household debt levels (RBA, 2005). The rising debt level and lower saving rates has been commonly been used as evidence of financial illiteracy in the opinion regarding financial literacy (Young Americans Center for Financial Education, 2007). Financial literacy is globally acknowledged as an important element of economic and financial stability and development, the high number of people with low levels of financial literacy presents a serious problem for both the economic well being of nations and the personal well being of such individuals (Morton, 2005).

Research have shown that majority of vulnerable youths come from low income families similar to Konoin constituency and their major hold up is that the parents in the disadvantaged group are less equipped to transfer financial knowledge to their children and the lower levels of financial knowledge among the youth from the disadvantaged groups could be resolved by offering them financial literacy programs (Lursardi et al, 2010). In Konoin Constituency a high population of youth face myriad of problem from low business survival rate to higher rates of unemployment. Further research shows that there is an absolute shortage of financial management skills among the disadvantaged individuals and this may result to possible failure of the entrepreneurs (Simcock, 2007).

A case study of employees of finance and banking institution in Kenya on the effect of financial literacy on personal finance management practices showed that there is a significant difference between the finance and non finance literate respondents (Nyamute and Maina, 2010). A report by Fin Access data in Kenya indicated that half of all Kenyans (49 per cent) were borrowing because of an inability to make ends meet in 2006. These people were borrowing to meet day to day expenses when seeing their debt problem increase. Most people indicated attitudes to borrowing and savings that suggested that they borrowed out of necessity rather than preference. Research undertaken by the Equity Building Society in Kenya found big gender differences in money management practices. Women were happy to talk about finances but typically had limited control over household money, whilst men took control but did not discuss finances (Cohen, et al., 2006).

Internationally, Beal and Delpachitra (2003) conducted a study in Australia targeting first year university students, and found that financial literacy was poor. Similar results were found in the US (Chen and Volpe, 1998) they also found out that participant with higher financial literacy were able to manage their finance and investment decision more effectively and in UK (Schagen and Lines, 1996) indicating that while financial literacy was low across the entire population, higher educated people were expected to have better financial skills and knowledge than those who were less educated. Tan et al (2009) postulated that people who were involved in financial planning were held back by their financial literacy levels. There also existed a gap between the choices made by higher financial literate people and those who were not which lead to increase in their total net worth and financial wealth (Lursadi and Mitchell, 2007). However no local researchers have investigated on financial literacy and financial management of the youth enterprise development fund hence the study aims at finding out the financial literacy among the youth. The research study aims at addressing the questions: what is the importance of financial literacy to the youth and how does financial literacy relates to financial management?

1.3 Research Objectives

The research Objectives were:

i. To determine the level of financial literacy among the youth in Konoin Constituency.

ii. To determine the relationship between financial literacy and financial management among the youth in Konoin Constituency.

1.4 Value of the Study

The finding of the study on financial literacy and financial management in Youth enterprise development fund will be useful to the management of the youth fund for they will know how financial literacy contributes to growth and development of enterprises. It will also enlighten them on the various financial skills needed to successfully manage the youth fund. It will also give them a deeper understanding of financial literacy which will enable them to make informed decisions when advancing the funds to the youth hence avoiding and solving financial problem which will lead to creation of employment, higher growth of business, higher standard of living and the overall growth of the economy.

The study will also be useful to the government and policymakers in knowing the impact of financial literacy on the citizens particularly the youth. This will motivate them to create an increased financial awareness to the youth and generate more favorable conditions in the financial market which will lead to overall growth of the economy for a stable financial system depends upon participation and support of an educated public. The government can also put in place policies which will ensure that the objectives of the YEDF are achieved which will greatly nurture the growth of

YEDF and lead to youth empowerment. The finding of the study will also be important to the policymaker in knowing the usefulness of financial literacy skills to the society hence introducing them early enough as part of basic education to the young generation.

The study will also be helpful to researchers and academicians who seek to develop theories on financial management which will help them understand the relationships that exist between financial literacy and financial management hence generating more knowledge on the same. The study combines the Life cycle saving theory and Prospect theory to better understand the financial literacy among the youth. It added to the Lifecycle saving theory by better understanding the saving practices among the youth and used the Prospect theory to better comprehend the risks involved in financial decisions. It also adds to the Unified theory of personal finance where individual should not only use the nine point formula to successfully manage their resources but they should also plan adequately for their life cycles events when they are still young and obtain the basic financial literacy skills. It will also enrich them with more knowledge and information for further research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section reviews literature under the following themes; Theoretical underpinning of the study, financial literacy components and the empirical studies on factors that contribute to financial literacy and the relationship between financial literacy and financial management.

2.2 Theoretical Underpinning of the Study

This section discussed three major theories namely life cycle saving theory, prospect theory and the unified theory of personal finance which helped to better understand the context of the research problem.

2.2.1 Life Cycle Saving Theory

The theory was developed by Modigliani and Brumberg (1954, 1980) for the household saving with the major idea that people save for retirement. The major assumptions for the model are people are forward looking across the span of their lifetime, they makes prediction of their financial resources over their lifetime , they understands the financial resources needed for their life period and makes informed choices for the use of the financial resources. They further studied the financial behavior and identified that mistakes occurs due to lack of knowledge, faulty logics, cognitive dissonance and biased statistics. The life cycle income hypothesis suggest that borrowing is a rational decision and it occurs in two major steps, the decision to borrow and how much to borrow taking into consideration the cost of borrowing.

Individuals also seek to equate the marginal cost to the marginal benefit in any rational decision (Baum and payea, 2004).

2.2.2 Unified Theory of Personal Finance

According to Scotts Adams all personal financial decisions by individuals and household for the management of their resources can be best achieved using the Nine point formula which follows the following steps, Make a will, Pay off your credit cards, Get term life insurance if you have a family to support, Fund your 401k to the maximum, Fund your IRA to the maximum, Buy a house if you want to live in a house and can afford it, Put six months worth of expenses in a money-market account, Take whatever money is left over and invest 70% in a stock index fund and 30% in a bond fund through any discount broker and never touch it until retirement, If any of this confuses you, or you have something special going on (retirement, college planning, and tax issues), hire a fee-based financial planner, not one who charges a percentage of your portfolio (Adams, 2002).

2.2.3 Prospect Theory

Daniel Kahneman and Amos Tversky developed the theory in 1979. They argued that investors make choices depending on the situation which usually involves a risk. The investor evaluates the potential gains and losses before making the decision and avoids making losses to protect their investments. They identified two distinct phases to each decision an initial phase called Editing or Framing; and a second phase called Evaluation phase, framing effects in decision situations arise when different imagery and descriptions of the same problem highlight different aspects of the decision outcomes and in the evaluation phase related contingencies and outcomes for each decision choice are evaluated. In this phase the edited prospects such as business opportunities are evaluated and the business opportunity with the highest value is selected (Kahneman and Tversky, 1979).

2.3 Financial Literacy Components

Angelo et al (2011) financial literacy can be split into three connecting parts; competencies, proficiencies and opportunity and enabling environment. This means that a financially literate person must be proficient in a number of competencies and have the opportunity to access finance and become competent through experience. The six competencies are money basics, budgeting and living within means, saving and planning, borrowing and debt literacy, Understanding financial products and recourse and self help. The money basic involves the numerical and money management skills. Numeracy skills are the basic arithmetic ability in calculation of interest rates and returns on investments which enhances the individual day to day calculations. Money management skills are made up of three core areas, finance control which relates to budgeting, keeping records, knowledge of daily living cost and ability to pay. Making ends meet is an individual ability to predict times when finances will be low and remedy the situation and the ability to maintain spending and keep up commitment. It also involve financial management which aids in reducing costs such as using credit cards instead of cash and general impulse spending patterns that result in using more money than available. The money basics are essential to the day to day calculations which include cost of purchasing goods, paying bills, determining the value of money over time, assessing the value of products, understanding the influence of inflation, and calculating interest payable and percentage discounts.

Budgeting and living within means involves keeping track of finances and reducing unnecessary spending in order to live within what an individual can afford and this contributes greatly in avoiding the problem of increased level of debt. Saving is what is left out of personal disposable income; they are two types of savers those who save only for an item and those who habitually save for a rainy day this also includes setting aside funds for expected as well as unexpected events such as a medical bill, illness or unexpected emergency. Planning involves making decisions on the short term and long term investment goals to be achieved in the future. Borrowing and debt literacy is where people take up loans or mortgages so as to repay them over time. An indicator of competent borrowing is the loan amount relative to earnings. A financially literate individual has the ability to determine whether credit is justified, the ability to repay credit cards and bills when they are due and maintains a good credit rating. Understanding financial products involves competence in investing and choosing financial products such as shares, managed funds, savings accounts, personal loans, mortgages, insurance and also knowing their key features such as the interest rates charged, inflation, risk and returns required to make an informed and confident decision about those products.

Recourse and self help is the consumer's ability to protect themselves by understanding how to resolve disputes with financial institutions, knowing the legal remedies and options available to consumers such as knowing the Financial Regulators and their power against financial institutions. A degree of proficiency is also required in order to achieve the above competencies which involve Knowledge in understanding foundation economic concepts like influence of inflation, the value of money over time, whether a product will retain its value and the opportunity cost also having the skills necessary to effectively manage finances which include communication skills, interpersonal skills, reading skills, mathematical and computational skills. Finally it is important for a financially literate person to have the opportunity to acquire skills, and use them. This is facilitated by equitable distribution of social resources that allows people to participate in the financial markets.

2.4 Empirical Evidence

Miriam and Bilal (2011) in the World Bank working paper 5642 conducted an experimental study on the impact of business and financial literacy for the young entrepreneurs in the emerging market. The working paper focused on young borrowers in Bosina and Herzegovina who were business loan clients. The objective was to study the effects of financial and business training both for existing business owners and potential entrepreneurs to identify impacts on business startup. Their major finding was that financial literacy is a strong predictor of baseline financial and business outcome. They also found out that training programs led to significant improvement in basic financial knowledge for those who started out with low level of financial literacy and lack of business acumen is not the primary driver of the business entry and survival. Finally the business performance of entrepreneurs with high ex ante financial literacy exhibited significant greater improvement in sales due to training programs than entrepreneurs with low ex ante financial literacy.

Tan et al (2009) examined the financial literacy and personal financial planning in Klang Malaysia. They postulated that individuals who have yet ensued personal financial planning were held back by their financial literacy levels. They utilized self admistered questionnaire with closed ended questions and collected primary data from 200 respondents. The relationship was examined using a cross tabular method and the study aimed at examining the relationship between personal financial literacy and financial planning and to explore public perception on the major aspects of financial planning. There major findings were that financial literate individuals reflected involvement in multiple aspects of personal financial planning, respondents were also hesitant to seek help from financial experts and showed a neutral perception on the key components of personal financial planning namely financial planning, tax planning, liability management, insurance planning, investment planning, retirement planning and estate planning. They concluded that level of education was the root cause of their lack of financial literacy and consequently low involvement in personal financial planning, the public perception revealed that there remains a knowledge gap at individual’s levels that hinders them from effectively managing their financial affairs.

Lusardi et al (2010) financial literacy varies widely among education groups. Only half of respondents with less than a high school correctly answer the question requiring a simple calculation of interest rates and close to 20 percent stated that they did not know the answer to that question. The large majority of those without a college degree did not know or answered incorrectly the question about risk diversification. Similarly, there were major differences in financial literacy across racial groups, with African Americans and Hispanics displaying much lower levels of financial literacy than whites. Approximately half of African Americans correctly answer the question about interest rate calculations, and the proportion of correct answers is even smaller among Hispanics. The financially literate students were overwhelmingly white, male, and the children of college graduates. Thus, the correlation between literacy and gender, race, and education is present at early stages of the life cycle.

Annamaria et al (2010) found out that financial literacy among the young was low with many young people lacking the basic knowledge on financial concepts. By the use of national longitudinal survey of youth of fielded in 2007-2008 and multivariate analysis he examined the level of financial literacy among the young and the key determinant of their financial literacy. They utilized the unified theory of finance to find out if family circumstance had an influence on the level of financial literacy and considered whether the respondent parents owned a home, had retirement savings, 401ks, profit sharing or stock ownership plan and IRAS, banked or unbanked and whether they owned stocks or mutual funds. The more salient results were that parent played a major role in enhancing financial literacy, they also existed a large gender difference with the men having more financial literacy than the women. There was also a strong correlation between financial literacy and cognitive ability and education was a major determinant of financial literacy where those with higher education attainment had a positive relationship with financial literacy. They argued that it's difficult to evaluate the effectiveness of financial education among the young because according to the life cycle model of saving, young individuals face an upward sloping age earning profile hence they should borrow rather than save to smooth consumption over the life cycle. They concluded that it's important to develop new ways of assessing the impact of financial education among the young including examining level of debt and borrowing behavior among the young.

The past researchers have identified demographic factors that have resulted in differences in the financial literacy levels are gender, employment status, ethnicity, family income and college major. There exist a link between financial literacy and family economic and educational background those who are more financially literate disproportionately come from highly educated and financially sophisticated families. Financial knowledge is learned primarily from parents. If parents are not financially literate and they are the primary teachers of financial knowledge it is understandable that youth also will not be financial literate (Chen, Volpe, & Pavlicko, 1996 and Thaden & Rookey, 2004).

Li (2009) found that one's likelihood of entering the stock market within five years was 30% higher if one's parents or children had entered the market in the previous five years. Interestingly, the children are more likely to invest in stocks if the family of origin invested in stocks holds true even among minorities. Chen and Volpe (2002) studied the gender differences in the financial literacy levels of college students. They found that males had statistically higher financial literacy scores than females and the existing Studies on financial literacy focused on measuring financial literacy among the population and how literacy rates vary across socio-demographic characteristics.

Ferguson (2002) noted that financial literacy can keep people from making uninformed decisions but it cannot keep them from making bad decisions. Improving a person's financial literacy will not be the panacea for the downward spiral of the personal financial knowledge and competence of the public. People will have the tools needed to be able to make informed decisions but the uncontrollable factor of human nature plays a part in a person's decision making process. Kidwell and Turrisi (2004) point out the strong link between the accumulation of personal debt and a distinct lack of skills in money management. Consumers tend to spend more than they earn leading to lose of pursuit on values concerning financial management such as budgeting and saving. It is necessary for individuals to acquire knowledge about personal financial issues in order to be able to evaluate the financial options available to them, manage their finances effectively and gain financial security.

2.6 Conclusion of the Literature Review

The research clearly shows that level of financial literacy directly affects the choices that are made throughout life. The prospect theory affirms that individual choices are made in situation which involves risks. It is therefore imperative to increase financial literacy among the vulnerable young people. Research findings further contend that individuals who ensued personal financial planning were held back by their financial literacy levels and public perception revealed that there remain a knowledge gap hindering individuals from managing their finances successfully (Tan et al, 2009). Financial literacy is also a strong predictor of baseline financial and business outcome and according to life cycle saving theory people fails because of lack of knowledge hence it is irreducible to have training programs to aid in improvement of basic financial knowledge which does not only led to higher business performance but also leads to business growth (Miriam and Bilal, 2011). Financial literacy keep people from making uninformed decisions and the major determinants of the financial literacy level encompasses the demographic factors such as Gender, employment status, ethnicity, family income, college major and also the education level of individuals (Chen, Volpe, & Pavlicko, 1996). Despite the findings efforts to educate or train people on the financial literacy are low with fewer efforts to introduce it as part of the basic education so as to enlighten the younger generation. The review has shown a variety of evidence on financial literacy and financial management it clear that further research is required to identify the relationship between financial literacy and financial management of youth enterprise development fund.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research design, target population, sample design, data collection procedures and data analysis techniques. The research design helped in answering the research questions outlined in the problem statement.

3.2 Research Design

A cross sectional descriptive survey technique was adopted where groups of subjects are selected from a defined population and contacted in a single point of time. It describes the state of affairs as it exists in the present. According to Kraemer (1991) survey research has three distinguishing features; used in the quantitative aspect of a given population which involves examining the relationship among variables, subjective and uses a selected portion of the population which can be generalized. The approach was appropriate for the study for it aimed at measuring the relationship between variables hence it was possible to collect data from a large population and in a cost effective way.

3.3 Target Population

The target population was all the youth groups who had received loans from the youth enterprise development fund in Konoin constituency. According to the Ministry of Youth Konoin Constituency 152 youths groups had received loans from the Youth enterprise development funds as at the year 2012.

3.4 Sample Design

The study used a representative sample 108 groups which was selected from the population using random sampling technique and 3 individuals from every group was selected purposively the chairman, treasurer and secretary who had direct control over the groups as shown in the sample size table by Krejcle &Morgan 1970 whereby a 95% confidence level was used.

3.5 Data Collection

The study used primary data which was collected from the respondents. Data was collected using a detailed questionnaire which had open ended questions for respondent to fill short responses and closed ended questions for ease of analysis and shorter response time from the respondents. It contained questions on financial management and questions on financial literacy, saving practices, spending patterns, financial planning, investment practices and debt management practices adopted from various past studies. The questionnaires were self administered where they were distributed to the various youth groups who had received loans from the youth enterprise development fund.

3.6 Data Analysis

Data collected was edited to ensure that it was correct and complete thus reducing biases, increase the precision and achieve consistency. Data was then analyzed by using regression analysis and descriptive statistics which was presented using mean, correlation, standard deviation and percentages. The analysis was then visually displayed using graphs, frequency tables and charts.

A multiple regression model was applied to analyze the relationship between the various variables. The model treated financial management as the dependent variable while the independent variables were financial literacy, saving practices, spending patterns, financial planning practices, investment practices and debt management practices. Five likert scale questions were used to determine the extent of their skills in financial management. The responses were measured by computing the mean percentage score based on the responses derived from the Likert scale questions.

The relationship equation was as shown below-

$Y=\alpha +\beta_1X_1+ \beta_2X_2+ \beta_3X_3+ \beta_4X_4+ \beta_5X_5+ \beta_6X_{6+}\varepsilon$

Where Y = Financial management

α = Constant term

β_1= Beta co-efficient

X_1=Financial Literacy

X_2= Savings practices

X_3= Spending patterns

X_4= Financial planning practices

X_5= Investment practices

X_6= Debt management practices

ε = Error term

The model helped to better understand which among the independent variables were related to the dependent variable and explored the form of their relationship.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter discusses the data findings, interpretations and presentation of the study carried out to establish the relationship between financial literacy and financial management of youth enterprise development fund. The researcher used a structured questionnaire which was distributed to the members of youth groups and obtained 250 fully filled questionnaires out of proposed 324, which translated to 77% response rate. Data was presented using graphs, charts and frequency tables and interpreted using quantitative analysis which involved mean, percentages, standard deviation, regression analysis and correlations. The chapter is organized into three sections where the first section is on demographic characteristics of the respondents, second section discusses the main objectives and the last section gives the conclusion. The following were the findings of the study.

4.2 Demographic Characteristics of the Respondents.

This section is meant to establish the demographic information of the respondent which involved: Gender, Age and the Marital Status.

4.2.1: Gender

The respondents were asked to state their gender and the responses were as shown in table 4.2.1 below**.**

Table 4.2.1

Category	Frequency	Percentage
Female	75	30
Male	175	70
Total	**250**	**100**

Source: Author (2013)

Table 4.2.1 shows that majority of respondents were male which was 70% of the total response rate and 30% of the respondents who were female. This shows that there were more male than females who participated in the study.

4.2.2: Age of Respondents

The respondents were asked to state their age and the responses were as shown in table 4.2.2 below.

Table 4.2.2

Category	Response	Percentage
18-25yrs	99	40
26-30 yrs	81	32
31-35 yrs	70	28
Total	**250**	**100**

Source: Author (2013)

Table 4.2.2 shows that 40% of the respondents were in the age bracket of 18-25 years, 32%(26-30) years and 28% (31-35) years which shows that majority of respondents were aged between 18-25 years who were involved in financial management in their groups.

4.2.3 Marital Status of Respondents

The respondents were asked to state their marital status and the responses were as shown in table 4.2.3 below.

Table 4.2.3

Category	Response	Percentage
Single	79	32
Married	87	35
Separated	23	9
Divorced	26	10
Widowed	35	14
Total	**250**	**100**

Source: Author (2013)

Fig 4.2.3: Marital Status of Respondents

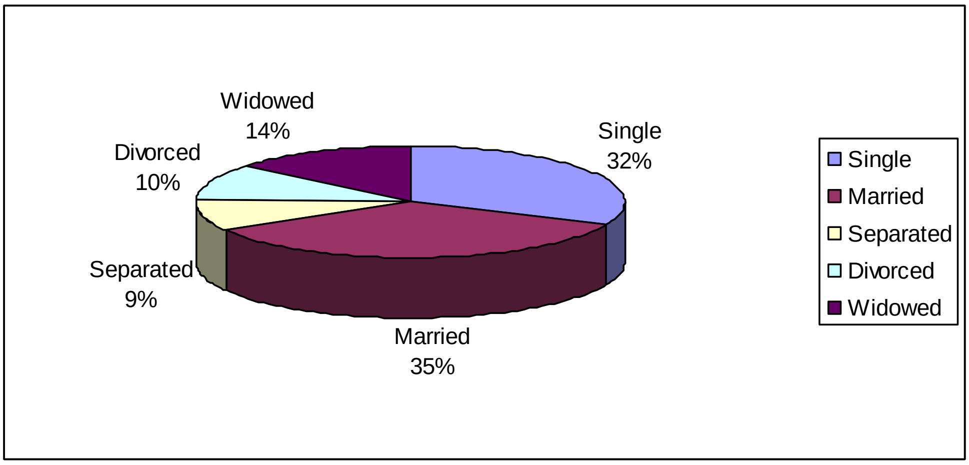


Table 4.2.3 and figure 4.2.3 shows that 35% of the total responses were married, 32% single, 14% widowed, 10% divorced and 9% separated. This indicates that most respondents were married.

4.3 Levels of Financial Literacy

In order to establish the levels of financial literacy the respondents were asked to answer several questions which indicated their literacy levels.

4.3.1 Level of Education of Respondents

The respondents were asked to state their education levels and the responses were as shown in table 4.3.1 below.

Table 4.3.1

Category	Response	Percentage
No formal Education	19	8
Primary Schools	117	47
High School	93	37
Technical/ college	15	6
Bachelors degree	6	2
Total	**250**	**100**

Source: Author (2013)

Fig 4.3.1: Level of Education of Respondents

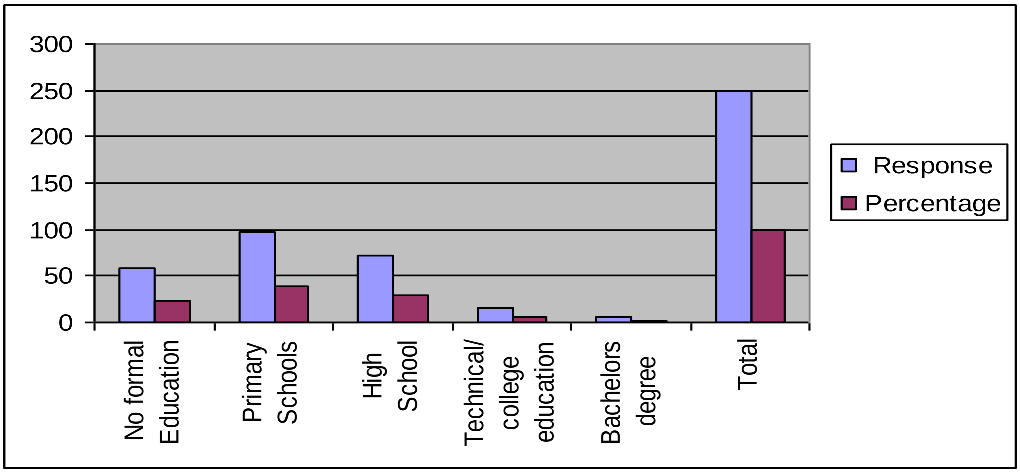


Table and figure 4.3.1 above shows the level of education of respondents, majority of respondents who were 47% had primary education, 37% high school education, 8% no formal education, 6% technical/ college education and 2% bachelors degree which shows that most respondents were less educated only a few had gone to college and this attributed to problems in managing their finances. Education level of individual greatly influences their knowledge in finances this has been aptly described by

(Schagen and Lines, 1996) where highly educated individuals had a high level of financial literacy as compared to their counter parts.

4.3.2 Knowledge of Youth Enterprise Fund

The respondent were asked to state how long they had known the youth enterprise fund which was great importance in showing their experience in handling funds in the Youth enterprise development fund. The responses were as shown in table 4.3.2 below.

Table 4.3.2

Category	Response	Percentage
Less than 1 year	60	24
1-2 years	80	32
2-3 years	66	26
3-5 years	24	10
More than 5 years	20	8
Total	**250**	**100**

Source: Author (2013)

Fig 4.3.2: Knowledge of Youth Enterprise Fund

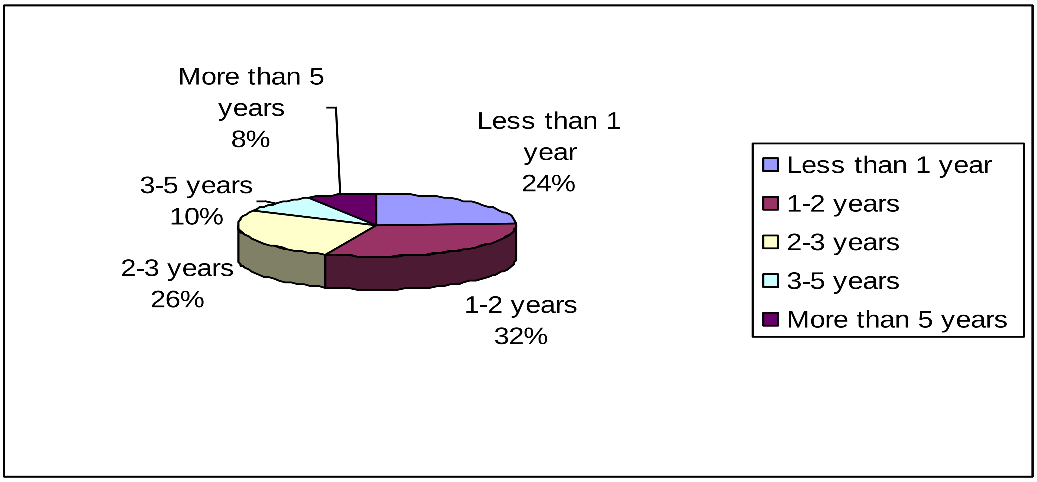


Table and figure 4.3.2 above shows how long employees have known the youth enterprise fund, majority of respondents who were 32% (1-2) years, 26% indicated (2-3) years, 24% less than 1 year, 10 % years and 8% more than 5 years which shows that most respondents had known youth enterprise fund for a short period of time which depicted that they had less experience.

4.3.3 Amount of Loan Given

The respondents were asked to state the amount of loan given, how they used the funds and whether it helped them meet their expected goal in business. This was mainly to know the amount of money they had handled, if it helped them meet their expected business goal and how they used it either for business purpose or other usage. More than half 54% of the respondents indicated that they used the fund only for business purposes while 46% indicated that they used the funds partially for business and other purposes. Regarding the loan meeting their expected goal in businesses some of them stated it was of great help to them while other stated that it helped them to some extend but they did not achieve their expected goals. This showed that they still needed more skills in managing the funds. They were also asked to state the amount of loan given and the responses were as shown in table 4.3.3 below.

Table 4.3.3

Category	Response	Percentage
Below 25000	62	25
25000- 50000	93	37
50000-100000	50	20
100000-500000	25	10
Above 500000	20	8
Total	**250**	**100**

Source: Author (2013)

Table 4.3.3 above shows the amount of loan given to youth group members, majority of respondents who were 37% indicated (25,000-50,000), 25%below 25, 000, 20 %(

50,000-100000), 10% (100,000-500,000) and 8% over 500, 000. This indicated that 62% of the respondents had accessed less than 50,000 hence most of the respondents had less exposure to managing money.

4.3.4 Rate Charged

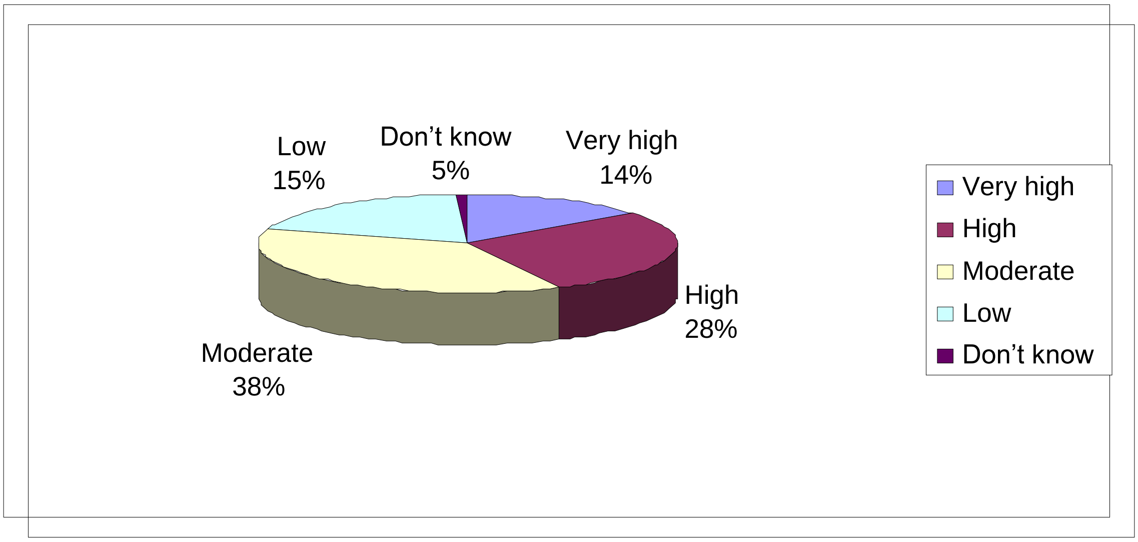
In order to establish whether the respondents had knowledge on interest rates they were required to answer an open ended question by stating the rates charged where majority of the respondent either answered wrongly or stated they didn’t know this indicated that most of the respondent did not have knowledge on the interest rates. Knowledge on interest rates shows their level of awareness on the charges made on the loan which portray their financial literacy levels (Lusardi et al 2010). They were also asked to state their opinion regarding the charges and the responses were as shown in table 4.3.4 below.

Table 4.3.4

Category	Response	Percentage
Very high	36	14
High	71	29
Moderate	92	37
Low	38	15
Don’t know	13	5
Total	**250**	**100**

Source: Author (2013)

Figure 4.3.4 Rate Charged



Source: Author (2013)

Table and figure 4.3.4 shows the rate charged on loans, majority of respondents who were 38% indicated moderate, 28% high, 15% low, 14% very high and 5% don't know which showed that most respondents believed that the rates charged were moderate.

4.4 Financial Management and Financial Skills

The section is meant to establish the financial management and financial skills of the respondents.

4.4.1 Financial Aspect and financial Education

In order to determine the financial aspects of the respondents some benchmark measures were tested. The study used a five point likert scale to test the level of financial skills among the youth. Majority of the respondent indicated that they had knowledge on how to manage finances represented by 3.80. Some of the respondents indicated that they were confidence in making investment decision represented by 3.40. Majority of the respondent indicated that their control over finances was low represented by 2.80 which showed that they required more skills in management of finances. Findings from the study were clear that most respondents were willing to take financial education given the chance as the response mean was 4.20.

Financial Aspects	Mean	Standard Deviation
Adequate knowledge to manage finance?	3.80	0.49
Control over finances?	2.80	0.90
Confident in managing money to achieve financial goals?	4.20	0.30
Confident in making investment decisions?	3.40	0.70
Your need financial education?	4.00	0.49
Participation in financial education if given an opportunity?	4.20	0.30

4.4.2 Sources of Financial Skills

The respondents had mixed opinions on where they learnt to manage their money. Talking to friends was the place where most people learnt to manage their finances which was indicated by 4.40. Some group members learnt from family members how to manage their finances indicated by 4.00 which was in alignment with the findings of (Chen, Volpe & Pavlicko,1996) where they found out that knowledge is learned primarily from parents hence if their source had poor financial literacy skill it could lead to the youth having the same level of skills. Others learnt by experience in managing their own fund which was indicated by 3.80. At School was the least source indicated by 2.60.

Sources of Financial Skills	Mean	Standard Deviation
At home from my family	4.00	1.38
At school in class	2.60	0.25
From talking with my friends	4.40	1.38
From magazines, books, TV and the radio	3.40	0.25
From experience in managing my own funds	3.80	1.38

4.4.3 Investment Practices

Financial literacy influenced investment practices in the organization. On how respondents rated investment practices most respondents rated according to their level of risk identification which was 4.00. Calculating profits or returns from investments was indicated by 3.40 of respondents. Engaging in businesses/ investments was indicated by 3.00 of the respondents. Spreading money across more than one type of investment was indicated by 2.40 of the respondents which showed that their level of diversification was low.

Investment practices	Mean	Standard Deviation
Engagement in businesses/ investments?	3.00	0.83
Spreading your money across more than one type of investment?	2.40	0.50
Calculating profits or returns from your investments?	3.00	0.83
Level of risk identification?	4.00	1.50

4.4.4 Saving Practices

Financial literacy greatly influenced the saving practices in youth enterprise fund, most respondents saved money when there was something specific to do with the money which was indicated by 4.00. Some of the respondents saved on every expense they made and for future needs which was indicated by 3.80. On how often respondents have been actively saving was indicated by 3.40. On how often respondents set aside money for emergencies were indicated by 2.20.

Saving Practices	Mean	Standard Deviation
How often have you been actively saving?	3.40	0.75
How often do you set aside money for emergencies?	2.20	0.06
How often do you set aside money for your future needs?	3.80	0.06
How often do you save when there is something specific you want to do?	4.00	0.06
How often do you save on every expense you make?	3.80	0.06

4.4.5 Debt Management Practices

Financial literacy greatly influenced the respondent's ability to manage debts. Most respondents indicated to fall behind with some bills and commitments while others were able to keep their bills and commitments which shows that there was low financial literacy which made it difficult for respondents to manage debts which was indicated by 4.00. Some respondents indicated that they had problems getting out of debts which were represented by 3.80 which show that financial literacy was still low. On how often respondents paid their bills on time were indicated by 3.60. On how often respondents repaid the money they owe on time was represented by 3.00 of the respondents which shows that respondents had problems managing their finances.

Debt management practices	Mean	Standard Deviation
How often do you pay your bills on time?	3.60	0.75
How often do you repay the money you owe on time?	3.00	0.38
How often do you keep up your bills and commitment without any difficulties?	4.00	0.25
How often do you have ideas on how to get out of debt?	3.80	0.25
How often do you fall behind with some bills and commitments?	4.00	0.25

4.4.6 Spending Patterns

Financial literacy was indicated to have an effect on spending patterns; some respondents indicated to track of their expenses and avoided spending more money than they have which was represented by 3.60. A number of respondents indicated that they spent their money when it was crucial which was represented by 4.40. Some respondents indicated to have ideas how to spend their money but ended up having misplaced priorities which was represented by 3.20. Respondent's ability to compares prices of expenses was indicated by 2.60.

Spending pattern	Mean	Standard Deviation
Do you have ideas of how you spend money?	3.20	0.38
Do you compare prices of major expenses?	2.60	0.13
Do you track some of your expenses?	3.60	0.25
Do you spend only when there is a need and it's crucial?	4.40	0.38
Do you avoid spending more money than you have?	3.60	0.13

4.4.7 Financial Planning Practices

Financial literacy greatly influenced financial planning practices among the respondents. Most respondents indicated that they did not have spending plans/budget which was represented by 2.60 while some respondents indicated that they did not have records on how to spend money represented by 2.4. A number of respondents engaged in more than one income generating activities which was represented by 3.60. A number of respondents also indicated that they had set financial goals which were represented by 3.20. This finding showed that most respondent had deficiency in financial planning skills which called for more financial literacy program to enhance their ability to manage their finances.

Financial Planning Practices	Mean	Standard Deviation
Do you prepare a spending plan or budget?	2.60	0.83
Do you keep records on how you spend money?	2.40	0.83
Do you have a set financial goals that you strife to achieve?	3.20	0.83
Do you engage in more than one income generating activity?	3.60	0.33

4.5 Objectives

Since single parameters framed as questions were used to construct a variable, the average score of each variable was computed and used in further analysis mainly the correlation analysis. The final average of each variable ranged from 2.950 and 3.685

Table 4.5.1 Objectives

	Mean	Standard Deviation
Financial literacy	3.43	0.530
Financial management	3.685	0.928
Investment practices	3.10	0.915
Saving practices	3.440	0.198
Debt management Practices	3.680	0.376
Spending patterns	3.480	0.254
Financial planning practices	2.950	0.705

Table 4.5.2 Correlations

Correlations

		Investment Practices	Financial planning practices	Spending patterns	Debt management practices	Saving practices	Financial management	literacy
Investment Practices	Pearson Correlation	1	.998**	-.043	-.095	-.076	-.148*	-.017
	Sig. (2-tailed)		.000	.495	.133	.229	.019	.786
	N	250	250	250	250	250	250	250
Financial planning practices	Pearson Correlation	.998**	1	-.051	-.095	-.073	-.145*	-.020
	Sig. (2-tailed)	.000		.425	.135	.253	.022	.747
	N	250	250	250	250	250	250	250
Spending patterns	Pearson Correlation	-.043	-.051	1	.140*	.165**	.042	-.131*
	Sig. (2-tailed)	.495	.425		.027	.009	.514	.039
	N	250	250	250	250	250	250	250
Debt management practices	Pearson Correlation	-.095	-.095	.140*	1	.187**	-.024	-.065
	Sig. (2-tailed)	.133	.135	.027		.003	.711	.306
	N	250	250	250	250	250	250	250
Saving practices	Pearson Correlation	-.076	-.073	.165**	.187**	1	-.079	-.210**
	Sig. (2-tailed)	.229	.253	.009	.003		.214	.001
	N	250	250	250	250	250	250	250
Financial management	Pearson Correlation	-.148*	-.145*	.042	-.024	-.079	1	.106*
	Sig. (2-tailed)	.019	.022	.514	.711	.214		.094
	N	250	250	250	250	250	250	250
Literacy	Pearson Correlation	-.017	-.020	-.131*	-.065	-.210**	.106*	1
	Sig. (2-tailed)	.786	.747	.039	.306	.001	.094	
	N	250	250	250	250	250	250	250

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

The table above shows direct relationship between investment practices and financial management. This implies that the financial management influenced investment practices. The relationship is significant (r =-0.148, P< 0.01) hence there is need for more investment skills to enable the youth make wise investment decisions the finding was in alignment with (Widdowson & Hailwood, 2007) who indicated that there is need for basic numeric skills such as the ability to calculate returns on investments. The table shows a direct relationship between financial management and saving practices. The relationship is significance at (r =-0.079, P< 0.01) members with little financial literacy encountered problems in saving. There was direct relationship between financial management and debt management practices. The relationship is significance at (r =-0.024, P< 0.01) thus there was poor debt management practices among the youth. The relationship between financial management and spending patterns was weak since the relationship was significance at (r =0.042, P< 0.01). There was a weak relationship between financial management and financial planning practices the relationship was evidenced at (r =-0.145, P< 0.01). There was a direct relationship between financial literacy and financial management which was significance at (r =0.106, P< 0.01) which shows that financial literacy was important in financial management, the findings agrees with (Murray, 2011) who indicated that Financial literacy does not exist as a separate set of skill it involves application of more general information, numerical problem solving and other core essential skills in the finance context.

Regression

Regression analysis usually enables confirmation of relationships between the independent and dependent variables since not all factors that are found to be significant in the correlation analysis. Regression analysis was performed on the identified variables which were investment practices, saving practices, financial literacy, debt management practices, spending patterns and financial planning practices. The following results were obtained.

Table 4.5.3 Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.879[a]	.772	.768	.269183

a. Predictors: (Constant), Financial planning practices, Financial literacy, Spending patterns, Debt management practices, Saving practices, investment practices

Table 4.5.4 Anova

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.200	6	1.700	2.911	.009[a]
	Residual	141.935	243	.584		
	Total	152.135	249			

a. Predictors: (Constant), Investment Practices, Spending patterns, Financial Literacy , Debt management practices, Saving practices, Financial planning practices

b. Dependent Variable: Financial management

Table 4.5.5 Coefficients

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	5.006	.601		8.323	.000
	Literacy	.102	.067	.096	1.524	.129
	Saving practices	-.171	.061	-.180	-2.792	.006
	Debt management practices	-.016	.063	-.016	-.246	.806
	Spending patterns	-.118	.068	-.111	-1.735	.084
	Financial planning practices	-.948	.986	-.976	-.962	.337
	Investment Practices	.928	.991	.951	.937	.350

a. Dependent Variable: Financial management

4.6 Discussion and Summary

The R value which is the correlation coefficient was 0.879 as shown in table meaning there was a strong relationship between financial management, saving practices, debt management practices, financial literacy, spending patterns, investment practices and financial planning practice in youth enterprise development fund. The coefficient of determination (R^2) indicated a value of 0.772; this indicates that about 76% of the variation is explained by the predictor (independent) variables while the remaining proportion 24% could be explained by other factors and also by chance or error.

As shown in table 4.5.5 some of the standard beta values are negative meaning the contribution of the independent variables and the dependent variables move in the opposite direction. As evidenced by debt management practices and spending patterns have significance values (-0.016 and -0.118) meaning the three independent variables contribute significantly to the model. This is consistent with the correlation analysis done above and it confirms the correlation results.

The value of 5.006 shown in table 4.5.5 is the constant value. This is the minimum of the dependent variable in a situation where all the independent variables are zero. The coefficients of investment practices, saving practices, debt management practices, spending patterns, financial planning practice and financial literacy were 0.928. -0.171, -0.016, -0.118, -0.948 and 0.102. The coefficients for most of independent variables were negative moving in opposite direction with financial management. Financial literacy had a direct relationship with Financial management having a value of r=0.106 which indicated that they were correlated. This correlation depicted that an increase in one of the variable could lead to an automatic increase to the other variable therefore on implementing good financial literacy programs for the youth it will lead to an incredible rise in their financial management's aspects. The level of financial literacy was in low category with many youth lacking knowledge on the basic financial concept which was consistent with findings of (Annamaria et al, 2010). Most of the Youth did not answer correctly on the question regarding interest rates which was in alignment with findings of (Lusardi et al, 2010) where most of the students answered wrongly on the question of interest rates. The respondents also had low experience in handling funds with most of them having known the youth enterprise fund for a period less than 2 years which attributed to problems in managing their businesses. The respondent diversification level was also low having a mean of 2.6 which showed most of them did not diversify and were also involved in one off business such as horticultural farming which highly limited their skills in managing business.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the findings, as regards to the main objective of the study. Based on these findings the conclusions were drawn and some recommendations on the way forward made. The main objectives of the study were to establish the relationship between financial literacy and financial management of youth enterprise development fund and the level of financial literacy among the youth.

5.2 Summary of Findings

On level of education of respondents, majority of respondents 47% had primary education, 37% high school education, 8% no formal education, 6% technical/ college education and 2% bachelors degree which shows that most respondents were not educated and this could have attributed to problems managing their finances and therefore the need for financial education.

On how long employees have known the youth enterprise fund, majority of respondents who were 32% (1-2) years, 26% indicated (2-3) years, 24% less than 1 year, 10 % years and 8% more than 5 years which shows that most respondents had not known youth enterprise fund for long. On the amount of loan given to youth group members, majority of respondents who were 37% indicated (25,000-50,000), 25%below 25, 000, 20 %(50,000-100000), 10% 100,000-500,000) and 8% over 500, 000 which shows that most members accessed less money. On the rate charged on loans, majority of respondents who were 38% indicated moderate, 28% high, 19%

low, 14% very high and 1% don't know which shows that most respondents were not comfortable with the rate charged.

5.3 Conclusions

It can be concluded that the government have been successive in providing access to finance for the youth through the youth enterprise development fund however the financial literacy levels of the youth are low hence calling for the more intensive program on financial literacy for the youth to yield maximum benefit and also for the fund to achieve its major objectives.

The findings show most respondents were less educated and they had problems in managing their finances. Most of the respondents had not been involved in youth enterprise fund for long time hence they had less experience in handling funds. Most of them did not have knowledge on interest rates and some indicated that rate charged on the finances was high which discouraged them from accessing finances. The respondent's amount of starting capital was also relatively low which showed that they handled less income hence had less exposure in managing finances.

Financial management had a direct relationship with financial literacy and other financial skills. Most of the respondent scored very low on financial planning practices where they were unable to prepare budget and had poor record keeping skills hence more emphasis should be put on this area. Majority of the respondents were very willing to take financial education if given a chance as the response mean was 4.2 this shows that the youth were ready to learn on matters pertaining finances if opportunity was availed.

5.4 Limitations of the Study

The study was on financial literacy and financial management of youth enterprise development fund. It was a cross sectional study where data is taken out at one point in time hence the findings were limited to the sample and only applied to group studies that resembles those included in the study.

The Study did not receive a 100% cooperation some of the respondents were not willing to give out information for fear of privacy for they were not sure how the information was going to be used but they were assured of the purpose. Some of the respondents also delayed in answering the questionnaires and others did not return the questionnaires.

The study focused on Youth enterprise development fund Konoin Constituency the limiting factor was that the target population may not be representative of all the youths who have received funds from the YEDF.

5.5 Study Recommendations

The government should create an awareness program to the youth especially those in vulnerable areas on the importance of joining youth groups. It should also come up with intensive financial literacy programs where the youths are trained prior to receiving the funds. The government should also allocate more funds to youth groups so as to enable them borrow more money to start businesses thus creating more employment. YEDF should lower the interest rate on borrowing to its members so as to encourage more youth to borrow.

The youths should also be advised on viable investment opportunities so as to encourage them to participate more in businesses. More finances should be provided to members who service their loans on time and the youth group members should be encouraged to always have proper budgets for their businesses.

Youth groups should have well written spending plans and have clear set financial goals. Culture of saving money for emergencies should also be encouraged. Youth group members should be taught how to manage their debts, calculation of profit from their investment and risk identification should form part of financial education.

5.6 Suggestion for Further Study

The youth enterprise development funds major objective is to increase economic opportunities for Kenyan youth through providing access to capital for the youth and creating job opportunities for them. Financial literacy may not be the only factor affecting them other factors such as behavioral and psychological factors could be a hindrance to development. This can form the basis of further research to explore the behavioral and psychological factors hindering the development of the YEDF.

The YEDF focus on creating enterprises for the youth as a way to reduce unemployment and idleness among the youth, many youth groups have been created and funds disbursed to the them. A further study can be carried out on the impact of YEDF in fostering entrepreneur skills among the youth. The study was carried out in Konoin constituency where the rate of development is relatively low a replicate study can be carried out on other parts of the country.

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APPENDICES

APENDIX 1: QUESTIONNAIRE

I am a student carrying out a research on financial literacy and financial management of youth enterprise development funds; your cooperation will be highly appreciated.

Confidential

Respondent's number

Please tick as appropriate where choices are provided.

Do not write your name on the questionnaire.

SECTION A

1. Gender Male ( ) Female ( )

2. Age 18-25 ( ) 26-30 ( ) 31-35 ( )

3. Marital status

i. Single ( )
ii. Married ( )
iii. Separated ( )
iv. Divorced ( )
v. Widow ( )

4. What is your level of education?

i. No formal education
ii. Primary school ( )
iii. High school ( )
iv. Technical/ college education ( )
v. Bachelors degree ( )

5. How long have you known about the Youth Enterprise development fund?

i. Less than 1 year ( )
ii. 1-2 years ( )
iii. 2-3 years ( )
iv. 3-5 years ( )
v. More than 5 years ( )

6. How much Loan were you given?

i. Below 25000 ( )
ii. 25000- 50000 ( )
iii. 50000-100000 ( )
iv. 100000-500000 ( )
v. Above 500000 ( )

7. Please indicate how you used the loan and the amounts?

USE	AMOUNT
Business	
Personal effects	
Friends and family	
Others specify	

8. Did the loan help you to meet your expected goal in business?

………………………………………………………………………………………………
……

9. What is their current interest rate bracket per year? -------------------------

10. What do you feel about the rate charged?

i. Very high
ii. High
iii. Moderate
iv. Low
v. Do not know

11. How do you rate yourself against the following financial aspects and need for financial education?

Key rate: 1 = Very low, 2= Low, 3= moderate, 4=high and 5 = Very high

Financial Aspects	Very low	Low	Moderate	High	Very high
Adequate knowledge to manage finance?					
Control over finances?					
Confident in managing money to achieve financial goals?					
Confident in making investment decisions?					
Your need financial education?					
Participation in financial education if given an opportunity?					

12. How much did you learn about managing your money from the following?

Key rate: 1 = Very low, 2= Low, 3= moderate, 4=high and 5 = Very high

	Very low	Low	Moderate	High	Very high
At home from my family					
At school in class					
From talking with my friends					
From magazines, books, TV and the radio					
From experience in managing my own funds					

13. How do you rate yourself in terms of the following Investment practices?

Key rate: 1 = Very low, 2= Low, 3= moderate, 4=high and 5 = Very high

Investment practices	Very low	Low	Moderate	High	Very high
Engagement in businesses/ investments?					
Spreading your money across more than one type of investment?					
Calculating profits or returns from your investments?					
Level of risk identification?					

14. How often do you engage in the following saving practices?

Key rate: 1 = not at all, 2= barely, 3= sometimes, 4=often and 5 = Very often

Saving practices	Not at all	Barely	sometimes	often	Very often
How often have you been actively saving?					
How often do you set aside money for emergencies?					
How often do you set aside money for your future needs?					
How often do you save when there is something specific you want to do?					
How often do you save on every expense you make?					

15. How often do you engage in the following debt management practices?

Key rate: 1 = never, 2= rarely, 3= sometimes, 4=usually and 5 = regularly

Debt management practices	Never	Rarely	Sometimes	Usually	Regularly
How often do you pay your bills on time?					
How often do you repay the money you owe on time?					
How often do you keep up your bills and commitment without any difficulties?					
How often do you have ideas on how to get out of debt?					
How often do you fall behind with some bills and commitments?					

16. How can you rate your spending pattern**?**

Key rate: 1 = Never, 2= Seldom, 3= Sometimes, 4=usually and 5 = Always

Spending pattern	Never	Seldom	Sometimes	usually	Always
Do you have ideas of how you spend money?					
Do you compare prices of major expenses?					
Do you track some of your expenses?					
Do you spend only when there is a need and it’s crucial?					
Do you avoid spending more money than you have?					

17. How do you rate your financial planning practices?

Key rate: 1 = Not at all, 2= Barely, 3= Sometimes, 4=Often and 5 = Very often

Financial planning practices	Not at all	Barely	Sometimes	Often	Very often
Do you prepare a spending plan or budget?					
Do you keep records on how you spend money?					
Do you have a set financial goals that you strife to achieve?					
Do you engage in more than one income generating activity?					

THANK YOU FOR YOUR COOPERATION