DETERMINANTS OF FINANCIAL PREPAREDNESS FOR RETIREMENT AMONG EMPLOYEES OF INTERNATIONAL NON GOVERNMENTAL ORGANIZATIONS IN KENYA

BY

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DECLARATION

The research Project is my original work and has not been submitted for the award of a degree at any other university.

Sharon Kerosi Kerubo ......D63/65389/2013 Signature……………………

The Research Project has been submitted for the examination with my approval as the University supervisor

Signed Date

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DEDICATION

This project is dedicated to my parents and friends.
ACKNOWLEDGMENTS

It has been an exciting and instructive study period in the University of Nairobi. I feel blessed and privileged to have had this opportunity to carry out a study that demonstrates the knowledge gained during the period studying for my master’s degree. With these acknowledgments, it would be impossible not to remember those who in one way or another, directly or indirectly, played a role in the realization of this research project. Let me, therefore, thank them all equally.

I am deeply obliged to my supervisor Mr. Cyrus Iraya, for the exemplary guidance and support without which; this project would not have been a success. Finally, yet importantly, I express my deep gratitude to my loving family, and friends who are a constant source of motivation and for their never ending support and encouragement during this project.
ABSTRACT

The main purpose of the study was to establish the effects of demographic characteristics on financial preparedness amongst employees of international nongovernmental organizations (INGOs) in Kenya. The study adopted the use of descriptive design. For the research purpose, the population constituted all employees of the INGOs in Kenya. A sample of 60 employees was conveniently selected and administered with questionnaires on which the study attained a response rate of 91.67%. The data collected included information on respondents’ ten demographic attributes and the levels of financial preparedness for retirement. Collected data was analysed in a multiple regression model to elucidate the relationships between financial preparedness for retirement and its explanatory demographic characteristics. The study findings established that 19% of variations in the levels of financial preparedness for retirement are explained by variations in the demographic attributes of the respondents. The regression output finds a statistically significant positive relationship between gender and employee preparedness for retirement. The attributes that positively influence the levels of financial preparedness for retirement are time to retirement, financial literacy, household income and levels of education. The attributes that negatively influence financial preparedness for retirement are employees’ attitude, number of financial dependants and marital status which commits their financial resources. The study therefore recommends formulation of policies that elicit desirable attitude of employees towards retirement. There should also be increased pension awareness sessions supported by the government, private pension schemes and employers.
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ABREVIATIONS

**EPS:** Social protection survey

**SSA:** Social and Security Administration

**TDA:** Tax deferred account
CHAPTER ONE: INTRODUCTION

1.1 Background of the Study
One simple and direct way to examine whether individuals look ahead and make plans for the future is to study the extent of retirement planning (Lusardi, 2007). Retirement planning has been defined by Magera (1999) as a systematic way of setting aside resources (funds), business project and time for the purpose of providing income in the old age.

Thinking about retirement and acting fast in advance can help in understanding the retirement process and in gaining a sense of control over the future (Kapoor, Dlabay, & Hughes, 1994). According Sze (2008), pension funds are the principal sources of retirement income for millions of people in the world.

1.1.1 Financial Preparedness for Retirement
Financial preparedness for retirement is viewed by Di Vito and Pospiech (2012) as a set of behaviours leading to improved financial planning for retirement. Taylor and Doverspike (2003) posit that wealth and health are two of the most important factors contributing to a successful retirement. Believing that one will have adequate postretirement, income is positively related to retirement adjustment. Keizi (2006) opine that the goal of social protection is not mere survival, but social inclusion and preservation of human dignity.

To ensure one is adequately preparing for retirement, Di Vito and Pospiech (2012) posit that a behavioral preparation process ought to occur. First, an individual must be excited about the prospects of retiring to be motivated enough to seek information and advice, and to finally take action to save for retirement. The final step generally involves choosing to save in personal retirement savings account, an employer retirement savings program, or both. The stronger the attitudes and behaviors are before taking the final step of saving in retirement accounts, the greater the likelihood that the chosen financial action would be “adequate” in ensuring a comfortable future retirement.
1.1.2 Determinants of Financial Preparedness for Retirement

Atchley (1991) explains that one’s attitude towards retirement is important in adjusting satisfactorily to retirement. The attitude about retirement influences the level of confidence one displays regarding the success of their retirement. Studies by (Glamser, 1976; Helman & Paladino, 2004; Mutran et al., 1997) suggest that those who are better prepared for their own retirement have more positive attitudes than those who are not. Di Vito and Pospiech (2012) expound that attitudes and behaviours can be strong predictors of financial preparedness for retirement, and the earlier these can be shaped, the better prepared individuals can be for retirement. Additionally, the authors note that gender, income, years to retirement and education best explains financial preparedness for retirement.

Mitchell, et al. (2007) explains that various studies explain that gender, race, background, behavior, and attitudes have an impact on retirement planning. Furthermore, studies show that education plays a part in all of the categories mentioned. Lusardi (2003) explain that four major characteristics have been established to examine household savings behaviors. The characteristics are: Expectations about the future, past economic circumstances, preferences and Pension and social security wealth.

Lusradi and Mitchel (2006) opine that while more is being learned about the causes and consequences of financial illiteracy, one must be cautious when concluding that financial education has a potent effect on retirement saving for four reasons. First, a small fraction of workers ever attend retirement seminars, so many are left untouched by this initiative. Second, widespread financial illiteracy will not be “cured” by a one-time benefit fair or a single lecture on financial economics. Third the finding that people have difficulty following through on planned actions suggests that education alone many not be sufficient. Fourth, people differ widely in their degree of financial literacy and saving patterns are very diverse.

Personal finance studies have not adequately investigated the factors that influence attitude towards retirement. The studies measure anticipation and preparation for
retirement in various ways. The measurements include: proximity (Atchley, 1976; Mutran et al., 1997); pre-retirement involvement scales such as talking with family members and reading articles (Evans et al., 1985); preparedness for retirement (Glamser, 1976); knowledge of retirement issues (Glamser, 1976); retirement planning such as financial planning, home equity planning, locational planning and employment planning (Turner, et al., 1994); financial pre-retirement planning including health insurance, social security, and pension contributions (Behling & Merves, 1995); and retirement fund calculation and retirement savings (Helman & Paladino, 2004).

Mutran et al. (1997) measured retirement planning with questions addressing topics such as discussing retirement with others; reading about retirement; attending a preretirement program, lecture, or seminar; and actively planning for retirement such as calculating retirement expenses and income.

1.1.3 Relationship between Financial Preparedness for Retirement and its Determinants

Financial knowledge as a determinant of financial preparedness is advanced by Greenspan (2002) in the argument that financial literacy helps to inculcate individuals with the knowledge necessary to create household budgets, initiate savings plans, and make strategic investment decisions. Mwangi and Kihiu (2012) opine that proper application of financial knowledge helps households to meet their financial obligations through wise planning, and resource allocation so as to derive maximum utility.

Keizi (2006) observe that most of the people who have retired now did not have the opportunity to save enough for their old age due to fewer financial instruments available to them. Most people started engaging in business while they were just about to retire or when they have retired. According to Kapoor et al. (1994) most of these ventures usually do not survive and it means that the little hard-earned retirement savings go down the drain. It is vital to engage in basic retirement planning activities throughout one’s working years and to update retirement plans periodically. Though it is never too late to begin sound financial planning, one can avoid the unnecessary difficulties by starting to
plan early. Saving now for the future requires tackling the trade-off between spending and saving.

Hershey and Mowen (2009) argue that the problems associated with an increase in life expectancy and a decrease in the average age of retirement are compounded by the fact that most people wait too long before establishing a personal savings program. Keating and Marshal (1980) in a study concluded that on average, individuals do not become interested in retirement finances until they are 48 years of age.

Feraro and Su (1999) advance that all too often, delayed involvement in financial planning translates into too little savings too late and the onset of psychological distress. Poterba (1996) while reviewing literature on retirement preparedness find that only a small fraction of households reaching retirement age have accumulated assets worth more than twice their pre-retirement annual income.

1.1.4 International Non-Governmental Organizations in Kenya

The NGO’s Act (1990) defines an NGO as a private voluntary grouping of individuals or associations, not operated for profit or for other commercial purposes but which have organized themselves nationally or internationally for the promotion of social welfare, development, charity or research through mobilization of resources. It further defines International Non-Governmental Organizations as NGO’s with the original incorporation in one or more countries other than Kenya but operates in Kenya under a certificate of registration. Within this broad context the NGO landscape is highly heterogeneous and comprises organizations that are differentiated by their mission, funding bases, organizational capacity, geopolitical base, size, program areas, and ideology among others. For the purpose of this study as defined in the NGO Act (1990) international NGO’s are those NGO’s who have their headquarters outside Kenya in developed countries and who have registered as international with the national council of NGO’s in Kenya and characterized by high level of resources.
Non-governmental organizations, or NGOs, are generally regarded as organizations which have not been formed by governments or agreements among governments. According to Jacobson (1984), their members are usually individuals and private associations, rather than states and they may be formally established networks of other organizations. A wide variety of Non-governmental organizations function in intractable conflicts. These include conflict resolution NGOs, as well as those in humanitarian assistance, development, human rights, peace building, and other areas.

1.2 Research Problem
Di Vito and Pospiech (2012) posit that as individuals approach retirement, the question of whether they are financially prepared becomes top of mind. These doubts may be fuelled by several factors, such as employers moving away from offering the traditional defined benefit plan (pension plan) and the potential for Social Security benefits being decreased and delayed, all of which are increasingly shifting the responsibility to individuals to save for their own retirement. Different studies have indicated that many individuals may not have sufficient resources to maintain their financial independence during their retirement (Gist, et al., 2004; Gokhale, Kotlikoff, & Sabelhous, 1996; Yuh, et al., 1998). Lusardi, Skinner and Venti (2003) opine that many individuals encounter a late life financial shortfall that stems, in part, from a failure to set aside sufficient personal savings during their working years.

Old age dependency has become a major issue of concern to governments today. This is because a large number of retirees lack any form of regular income to sustain them in retirement. Kenya has one of the highest levels of old age dependency currently estimated at 56% (Githui and Ngare, 2014). The vibrant NGO sector in Kenya has active employees who are retired at the mandatory age or rendered jobless on cessation of activities by the NGOs due to regulatory exits, operational exits and lack of donor funding.

Several research studies attempt to investigate the determinants of savings practices of individuals. Certain opportunity structures specific to retirement finances, such as pension plan availability or access to an employer sponsored plans help set the stage for
adaptive savings decisions according to Blau (1994), Ekerdt, DeViney & Kosloski (1996) and Henkens (1998). Presence or absence of empirical relationships between demographic indicators and savings practices reveal that retirement savings tendencies are positively related to age (Grable & Lytton, 1997; Warner, 1996), level of household income (Bassett, Fleming, & Rodriguez, 1998; Poterba, 1996), and level of education (Yuh & Olson, 1997). Savings accumulations have also been linked to gender and marital status, with women saving less, on average, than men (Glass & Kilpatrick, 1998a), and single individuals less likely to save than those who are married (Yuh & Olson, 1997).

In Kenya, Githui (2012) investigates the perception of retirement by teachers and finds that majority of the teachers are not prepared for retirement and retirement causes stress and anxiety to the retiree especially if not prepared. Ade (2013) investigates the relationship between financial literacy and pension preparedness (planning) in Kenya and finds that financial literacy has a significant positive relationship on pension preparedness. Njung’e (2013) examines the relationship between gender and savings behavior in Kenya and finds that savings is positively related to total income, gender and education but negatively to employment status, age and age squared of the household head.

The foregoing studies thus shed light on characteristics of who saves for retirement, but according to Hanushek and Maritato (1996), one of the most important questions remains unanswered: Why do some individuals save more than others? It is also noted herein that no systematically documented information exists about the determinants of financial preparedness for retirement specifically in Kenya especially in the nongovernmental organizations. This study thus seeks to answer the question: what determines financial preparedness for retirement amongst international nongovernmental organizations in Kenya?
1.3 Objectives of the Study
The objective of this study was to investigate the relationship between financial preparedness for retirement and its determinants among employees in International nongovernmental organizations in Kenya.

1.4 Value of the Study
There are many parties that should benefit from the findings of this study. Foremost, these study findings give individuals insights on the importance of retirement planning. These include financial management practices such as saving, budgeting, cash flow management, credit management and asset accumulation which help them to prepare for their retirement and reduce their old age financial stress.

The regulatory authorities (RBA) and the pension schemes infer from the findings various determinants that help them to evaluate the effectiveness of their education and public awareness campaigns on savings for retirement. Of great importance, the study findings help regulators design more appropriate programs to reach the nongovernmental sector employees and even other sectors. On whether awareness improves pension savings behavior, the regulatory authorities get useful information to help them suggest appropriate incentives/policies that brings the desired effect on pensions.

The study contributes to the existing body of knowledge on financial preparedness for retirement in the nongovernmental organizations in Kenya, which has been largely absent and interests academicians and scholars. The study findings stimulate prospective researchers to replicate the study to other sectors of the economy and in other regions of the country. The study opens avenues for further studies in the area. Finally, the study findings are useful to employers as it helps them to realize the importance of introducing financial literacy programs and to design appropriate education and awareness programs for their employees to improve their welfare. This in turn helps their employees to boost their morale and eventually their work performance.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction
The chapter focuses on theoretical and empirical literature. The chapter starts with a review of relevant theories explaining determinants of financial preparedness for retirement upon which this study is anchored. This is followed by an empirical review of the studies on the concepts and determinants of financial preparedness for retirement.

2.2 Theoretical Review
The study will be guided by theories which have previously been developed and that have called for more research on the subject matter over the years. These theories include Life cycle hypothesis, Expectancy theory of motivation and Developmental Psychology Theories.

2.2.1 The Life Cycle Hypothesis
This theory deals with economic decisions on retirement saving in the rationalization of an individual’s income in order to maximize utility over his lifetime. Initially developed by Ando and Modigliani (1963), it was based on the conventional economic approach to saving and consumption which assumes that a fully rational and well-informed individual will consume less than his income in times of high earnings (during employment), and will save to support consumption when income falls (after retirement).

This type of saving behaviour enables households to smooth their marginal utility of consumption over their life cycle. This model assumes the following of the human behaviour: that they are forward-looking over their life spans; they can predict the financial resources they will have over their lifetime; they understand something about the financial resources they will need in all periods of their lives; and they make informed decisions about the use of their financial resources.
2.2.2 Expectancy Theory of Motivation
Motivation has long been recognized as a key driver of individual behavior. Starting as early as Tolman (1932) and Lewin (1938), expectancy theory ties perception to behavior. Since then, extensive academic research has been focused on developing the understanding of motivation. Further work by Vroom (1964) on the force model and Samuelson (1967) on the utility model provides a theoretical grounding for explaining the motivational influences underlying human behavior as a function of expectancy, instrumentality, and valence or utility.

Expectancy relates to the expectation or likelihood that specific actions will yield a certain outcome, meaning that performance is based on effort. Instrumentality relates to the relation between performance and reward, meaning that outcome is based on performance. Valence and/or utility relates to the value of importance the individual places on the perceived outcome. Based on these theories, individuals are motivated by things that can successfully lead to valued outcomes (Mandel & Klein, 2007).

2.2.3 Developmental Psychology Theories
The theories seek to understand how individuals’ personalities and behaviours develop’ over their lifespan. Although these theories acknowledge the importance of genetics in learning or acquiring skills, they primarily focus on mental processes, emotions, personal relationships, and social context. The theories argue that financial literacy is psychological and brought about by mental processes as opposed to learning. The major foundational theories in this category include psychoanalysis, psychosocial, and cognitive psychology.

Psychoanalysis theory origin is credited to Sigmund Freud and argues that the unconscious has power over human behaviour and emotions, including behaviours associated with money transactions. Indeed, important insights from psychoanalysis derive from their observations about individuals’ conflicting attitudes towards money. Following psychoanalysis theory, individuals are assumed to be pleasure seekers who
face an unconscious conflict between instinctual urges and the barriers, including social norms, to acting on those urges (Hilgert et al, 2003).

Psychoanalysts observe that money is more than a means of exchange but also has unconscious associations with other qualities, such as ‘fear and security’, “acceptance and rejection,” and ‘power and importance’ (King, and Levine, 1993). Fear of becoming poor led to a retentive personality traits in adults. Individuals will accept advice when making small financial decisions but will rely on their Feelings when making large decisions. Kirkpatrick (2001) posits that there are psychological consequences arising from how an individual defines enough, too much, or not enough money. They further argue that financial success comes at that cost of potential isolation, self-destruction, and narcissism. Two psychoanalysts, (King and Levine, 1993) recognized an emotional sequence to stock market bubbles that, they argued, was fueled in part by the conflict individuals’ faced between the pleasure and risk of investing.

2.3 Empirical Review
Seguino and Floro (2002) analyzed a panel data set for semi-industrialized countries and showed that the higher women’s income is relative to that of men, the higher is a country’s gross domestic savings rate. Their study showed that shifts in women’s relative income, which affects their bargaining power in the household, have discernible effects on household saving and by extension on aggregate saving due to differing saving propensities by gender.

Duflo and Saez (2003) carried out a randomized experiment to shed light on the role of information and social interactions in employees’ decisions to enroll in a Tax Deferred Account (TDA) retirement plan within a large university. The study showed that five and eleven months after the fair, individuals in treated departments were significantly more likely to have started contributing to the TDA than controlled individuals. This showed that the experiment, and hence the fair, was successful in increasing the TDA enrollment. However, there was no significant difference in TDA enrollment between those who actually received the encouragement letter and those in the same departments who did
not. The study showed that small incentives had successfully induced treated employees as well as members of their peer groups to attend the fair, and eventually enrolling in the pension scheme.

Past studies have demonstrated that remaining married results in greater wealth especially for men (Lupton and Smith 2003; Wilmoth and Koso 2002), yet this work suggests that previously married men are the most likely to participate in a savings plan. Women’s willingness to save was more likely to be linked to a need for precaution, while men’s was more likely to be linked to optimism about their own economic situation.

Ahmad and Asghar (2004) analyzed the household saving behavior due to different socio-economic and demographic factors in Pakistan using micro data collected by Household Integrated Economic Survey in 1998-99. The authors used Ordinary Least Square Method to estimate and choose data of 8933 rural households and 5374 of urban households. Results of the study revealed that income, employment status, square of age and Sex of household head were found to have positive effect on saving rates; wealth, dependency ratio, education levels and age of household head were negatively affecting household savings of rural as well as urban areas.

According to Sameroynina (2004) who studied saving behaviour among households in Russia and deduced that the marginal propensity to save out of income is positive. This concurs with economic theory where an increase in income is bound to lead to an increase in saving. A study of some Asian countries by Lahiri (1989) indicated that the rate of growth of personal disposable income determines private saving, while, Schrooten and Stephan (2005) showed that per capita income positively influences saving. This is in agreement with the Lifecycle Hypothesis.

In Ethiopia, Fafchamps and Quisumbing (2005), showed that the mean value of land inherited by husbands was ten times greater than that inherited by wives. In rural SSA, women’s ability to accumulate assets is governed by family and community norms, which historically have favored men to the disadvantage of women. In addition, the legal
systems at the macro level in different countries determine how much control women can have over assets.

Chowa (2006) in his study on savings performance among rural households in sub-Saharan Africa (SSA), found that both women and men save successfully, however, women save better than their male counterparts across levels of education, marital status and type of work.

In Skog (2006), the researcher examined what affiliates of the Chilean pension system knew about their pension system and whether they responded to incentives to learn more about their benefits depending on whether they stood to gain most from a particular aspect of the pension system. The findings from this study indicated that older, healthier, more highly paid and more educated men, display more pension literacy across the board. In addition, people appear more likely to inform themselves as knowledge becomes more relevant, which implies that they respond to incentives when investing in self-education. The study found that measures of knowledge may not be the best way to determine which groups to target for educational efforts. Finally, it was found that workers with a labor contract and who are union members have significantly more knowledge, as do those employed in larger firms, verifying the importance of informal systems in determining knowledge.

Lusardi and Mitchell (2007) found that women were generally less financially knowledgeable as compared with men, and financial literacy was found to affect both savings and portfolio choice. In their examination of the extent to which saving behavior differed among households in different marriage states, Lupton and Smith (2003) found that much of saving behavior was left unexplained even after controlling for demographic and socioeconomic characteristics of the household. Falahati and Paim (2012) also indicated men have a higher level of financial knowledge, financial skills, perceived earlier childhood consumer practices and better savings behavior than female students.
Phipps and Woolley (2008) also found that an increase in male earnings had a much larger effect on total savings into a retirement plan than an equivalent increase in female earnings. Correspondingly, Kibet et al. (2009) adopted a microeconomic approach in investigating the factors that influence savings among teachers, entrepreneurs and farmers. Cross sectional primary data of 359 households for 2008 were collected through multistage sampling technique. The study concluded that income had positive effect on savings of teachers, businessmen and farmers. Also, Salam and Kulsum (2000) found determinants of savings by analyzing saving behaviour in India using time series data for the period 1980-89 for India. They concluded that an increase in income was bound to cause an increase in household savings, private savings, public savings and total savings.

In the context of traditional gender roles, Grossbard and Pereira (2010) established higher saving rates by young men and lower saving rates by young women than in less traditional countries, the opposite being the case with saving rates of married women relative to those of married men. They established the relevance of traditional gender roles and marital status to understanding cross-country variation in gender differentials in savings behavior.

Njuguna and Otsola (2011) sought to assess the levels of financial and pension literacy amongst employees drawn from membership of occupational pension schemes in Kenya. The study found out an overall of 39.5% had participated in a finance or pension training much of which had been offered by RBA, and most of them had attended the training once. An overall of 45.3% of the respondents were in the low literacy group and demonstrated a strong understanding of pension scheme issues as opposed to financial issues. The literacy levels did not differ significantly between those with primary education and secondary education.

However, this literacy level between the primary and secondary school levels on one hand differed significantly with those with college and university education on the other hand. The study further concluded that despite the above average literacy level among Kenyans; effort should be done to increase their participation in the management of their
pension schemes. Additionally, the Kenya government needs to put in place a national financial and pension literacy strategy and partner with other institutions to ensure appropriate finance and pension literacy programs are available in the market.

Githui (2011) investigate the perception of retirement by teachers in public secondary schools in Kenya. Noting that the mandatory retirement age is 60 years, the study notes that majority of the teachers are not ready to stop working until they reach 60 years of age. Furthermore, Majority of the teachers are not prepared for retirement and this causes stress and anxiety as Majority of the teachers take long before they receive their pension benefits after retirement.

In a study targeting the informal sector, Njuguna (2012) carried out an exploratory study to find the critical success factors for a micro pension scheme. The researcher evaluated a model of a pension scheme that would be ideal for the informal sector in Kenya from the theoretical justification for micro pension schemes and the consequent economic stability of the schemes. The study established the features of a micro pension scheme to cover the informal sector workers and provided recommendations on the steps that could be taken to address the challenges to the implementation of such a system in Kenya. A key finding of the study was that a majority (85.3%) of the respondents was willing to join a government supported pension plan, and a majority of these (55%) indicated that they would prefer to save more than three times in a month. Findings of the study led to the conceptualization of three models for implementation of a micro pension. The models are centralized nation-wide scheme, public private partnerships and multi- employer models.

In Gitari (2012), the researcher expanded the study done by Njuguna and Otsola (2011) to find the relationship between financial literacy and retirement planning. The study focused on registered pension schemes in Nairobi. With a sample of individuals drawn from the pension schemes, and using multiple regression on five variables namely financial literacy, age, income, marital status and education level against the dependent variable, retirement planning. The researcher found out that financial literacy, income and the respondents’ level of education were strongly and positively associated with
retirement planning and statistically significant at conventional levels. Interestingly, age and marital status were found to be statistically insignificant to retirement planning. Despite the enormous contribution to literature this study made, it again did not include the informal sector. Di Vito and Pospiech (2012) demonstrated a substantial relationship between the level of involvement (i.e., attitude) of an individual in their personal retirement savings decision and their financial preparation for retirement (i.e., behaviors). This means that for messages about retirement planning to be important, messages should contain elements that individuals are likely to perceive as personally relevant and important. In other words, people need to be able to relate to these messages at a personal level. It also illustrated that time remaining to retirement, and not age, is a key indicator of an individual’s financial preparedness for retirement. The Study also indicates that young adults under the age of 35 are the least prepared based on an analysis that considered attitudes and behaviors as key measurements for financial preparedness for retirement.

Whitaker et al (2012) in their study on the Interactional Associations of Gender on Savings Behavior in the United States found out that basic frequencies reveal non-significant differences in savings participation across gender, but regression analysis including interactions of gender with other key variables reveals that multiple aspects of individuals’ lives are influenced by gender to predict savings plan participation. Similarly, Chowa (2006) using quantitative data and survey questionnaires concluded that gender in Uganda has a significant effect on the saving performance.

Falahati and Paim (2012) using cross-sectional data on university students to determine gender differences in saving behavior found that gender significantly moderates the effect of childhood consumer experiences, primary and secondary socialization agents’ influence, financial knowledge and financial skills on savings behavior.

Njung’e (2013) underscore that savings play a major role in economic development since an increase in savings leads to an increase in investment hence improve gross domestic product. Low savings in an economy means unfavorable growth of the economy, poor
job creation and inferior overall living standards relative to nations with a better savings performance. The study results show that both male and female household heads save a portion of their household income in Kenya. Results showed that savings is positively related to total income, gender and education but negatively to employment status, age and age squared of the household head. Being a male household head indicate that the household saving would increase by Shs. 2,824.26 while being a female household head, the household saving would increase by Shs. 13,047.4. The study recommends that Low income earning households should be sensitized on the importance of savings. Results also indicate that the more the level of education of the households heads the more the likelihood of falling within higher saving rate threshold.

2.4 Summary of Literature Review

Life cycle hypothesis assume that individuals consume less than his income in times of high earnings, and saves to support consumption when income falls. Based on expectancy theories, individuals are motivated by things that successfully lead to valued outcomes. Development Psychology theories advance that money has unconscious associations with other qualities. The literature notes that individual demographics namely: financial literacy, income levels, age, marital status and level of education are strongly related to retirement planning. These studies in Kenya investigate retirement planning and not financial preparedness for retirement. The local studies do not incorporate attitude and psychological factors as determinants of financial preparedness for retirement.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction
This chapter contains the research methodology followed in the execution of the research work, which entails the research design, population target for the study, the sample size, data collection method, data analysis and reliability and validity.

3.2 Research Design
This was a descriptive quantitative study aimed at determining the relationship between the determinants and retirement preparedness. According to Cooper and Schindler (2003), a descriptive study is concerned with finding out who, what, where, and how of a phenomenon.

3.3 Population of the Study
The target population of the study was all employees of international nongovernmental organizations in Kenya. The NGO coordination board where all NGOs file returns has a record of 33,070 employees of the 2,460 INGOs operational in Kenya.

3.4 Sample Design and Size
The study applied convenience sampling to administer questionnaires to 60 employees of the INGOs. The number 60 is arrived at taking consideration of the fact that the population is big for which case at least 60 respondents were considered representative. One respondent was to be randomly selected from 60 of the 2,460 INGOs operational in Kenya.

3.5 Data Collection
The study used primary data collected using a questionnaire. The questionnaire, attached as appendix one contains both open and close ended questions. Due to the busy nature of the respondents in the targeted sample, the questionnaires were filled immediately as they are administered.
3.6 Data Analysis

The dependent variable (retirement preparedness) was measured as a categorical variable taking values from 0 if the respondent is not prepared to 5 if the respondent is fully prepared. The independent variables include demographic and individual characteristics like Gender, Age, education, marital status, financial dependants, household income, financial literacy, time to retirement, individual attitude and employer contribution to retirement plan at work.

In this study, financial preparedness for retirement is regressed against ten determinant variables namely: Gender, Age, Education, Marital status, financial dependants, Household income, financial literacy, Time to retirement, Individual attitude and Employer contribution to retirement plan at work. The regression equation is given as:

\[
FPR = \beta_0 + \beta_1 \text{Gender} + \beta_2 \text{Age} + \beta_3 \text{Education} + \beta_4 \text{Marital Status} + \beta_5 \text{Financial dependants} + \beta_6 \text{Household Income} + \beta_7 \text{Financial Literacy} + \beta_8 \text{Time to retirement} + \beta_9 \text{Employer Contribution} + \beta_{10} \text{Attitude} + \varepsilon
\]

Where:

- \( FPR \) – Financial Preparedness for retirement, \( \beta_0 \) – Regression Coefficients, \( \varepsilon \) – Error term.

Age was measured by the current age from birth, Income was measured by the monthly income for the individuals, education was measured by the highest level of education attained, Time to retirement was the number of years to mandatory age of retirement, financial dependants were the number of dependent children on the employee, employee contribution was measured by existence of employer contributions to employee pension schemes.

Financial literacy and attitude were measured using questions on a 5-point likert scale to assess the degree to which the employees practice various financial concepts for financial literacy and their attitude towards retirement respectively. The average score for the questions were used as a measure of the financial literacy level and attitude of each respondent. Data was analyzed using SPSS Version 20. To validate the relationship, the t-
test was used to determine the significance level based on the parameters at 5% level of confidence.

### 3.7 Data Validity and Reliability

Mugenda and Mugenda (2003) assert that, the accuracy of data largely depend on the data collection instruments in terms of validity and reliability. Validity as noted by Robinson (2002) is the degree to which results obtained from the analysis of the data actually presents the phenomenon under study.

The validity of the data was ensured by having objective data. This was achieved by pre-testing the questionnaires to a sample of respondents on the information collected to determine the accuracy of the instrument. Reliability on the other hand refers to a measure of the degree to which research instruments yield consistent results (Mugenda and Mugenda, 2003). In this study, reliability was ensured by pre testing the data with a selected sample of five respondents.
CHAPTER FOUR
DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Introduction
This chapter begins by presenting the key data of the survey from the respondents. It then summarizes and interprets the key findings of the study and compares the major findings with findings in other studies in the area of interest. Findings of the study are presented in tables, figures and related charts.

4.2 Data Presentation
4.2.1 Analysis of the Response Rate
The targeted population was 60 respondents of INGOs, but only 55 questionnaires out of 60 given out were returned. This represented 91.67% of the population hence the analysis was done using 55 questionnaires received from the respondents.

Table 4.1 Analysis of the response rate

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Questionnaire sent</td>
<td>60</td>
<td>100</td>
</tr>
<tr>
<td>Questionnaire returned</td>
<td>55</td>
<td>91.67</td>
</tr>
</tbody>
</table>

Source: Primary data

4.3 Demographic Information of the Respondents
Demographic information shows the characteristics of the elements in the sample size: As such the researcher sought to establish the general information of the respondents, which forms the basis under which the interpretations are made.

4.3.1 Respondents Gender
The first demographic characteristic sought was the respondents’ gender. As presented in table 4.2 below, 56.36% of the respondents were male and 43.64% were female. This finding portrays slight gender imbalance that has over time characterised the Kenyan formal workplace.
Table 4.2 Gender of the Respondents

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>31</td>
<td>56.36</td>
</tr>
<tr>
<td>Female</td>
<td>24</td>
<td>43.64</td>
</tr>
</tbody>
</table>

Source: Primary data

4.3.2 Respondents Age

The second demographic characteristic of the respondent sought was Age. The distribution of the age brackets is presented in table 4.3 below.

Table 4.3 Ages of the Respondents

<table>
<thead>
<tr>
<th>Age Bracket</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;20 years</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>21-30 years</td>
<td>13</td>
<td>23.64</td>
</tr>
<tr>
<td>31-40 years</td>
<td>25</td>
<td>45.45</td>
</tr>
<tr>
<td>41-50 years</td>
<td>12</td>
<td>21.82</td>
</tr>
<tr>
<td>51 – 60 years</td>
<td>4</td>
<td>7.3</td>
</tr>
<tr>
<td>&gt;61 years</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>55</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Primary data

As presented in table 4.3 above, majority of the respondents (45.45%) are in the 31 to 40 year age bracket, 23.64% of the respondents are in the 21 to 30 years age bracket, 21.82% of the respondents are in the 41 to 50 years age bracket, 7.3% of the respondents are in the 51 to 60 year age bracket and 1.8% are more than 61 years old. The findings suggest a relatively younger workforce in the INGOs.

4.3.3 Respondents Education Levels

The third demographic factor sought was the level of education of the respondents and the results are as presented in table 4.4 below. As presented in the table, 1.8% of the respondents have primary school certificate, 7.3% of the respondents have secondary
school certificate, 18.2% of the respondents have technical education and more than a half of the respondents at 63.6% are graduates. 9.1% of the respondents indicated that they have other qualifications. These findings are a pointer to the higher levels of education attained by the employees in the INGOs.

Table 4.4: Level of Education of the Respondents

<table>
<thead>
<tr>
<th>Highest education level</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Secondary</td>
<td>4</td>
<td>7.3</td>
</tr>
<tr>
<td>Collage/Technical school</td>
<td>10</td>
<td>18.2</td>
</tr>
<tr>
<td>University</td>
<td>35</td>
<td>63.6</td>
</tr>
<tr>
<td>Others</td>
<td>5</td>
<td>9.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>55</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Primary data

4.3.4 Respondents Marital Status

The fourth demographic characteristic expected to influence financial preparedness of the respondents was the marital status. As indicated in table 4.5 below, 61.82% of the respondents are married, 23.64% are single and 14.56% are divorced. This finding suggest that majority have family commitments.

Table 4.5: Marital Status of the Respondents

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>13</td>
<td>23.64</td>
</tr>
<tr>
<td>Married</td>
<td>34</td>
<td>61.82</td>
</tr>
<tr>
<td>Divorced</td>
<td>8</td>
<td>14.56</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>55</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Primary data
4.3.5 Financial Dependents of the Respondents

The study considered the number of children that are financially dependent on the respondents as a fifth demographic characteristic that influences the levels of financial preparedness. As indicated in table 4.6 below, majority of the respondents have dependants as expected of young working couples. 38.18% of the respondents have two financially dependent children, 27.27% of the respondents have three dependent children, 16.36% of the respondents have no dependent children, 9.1% of the respondents have one dependent child as the other 9.1% have more than three dependent children.

Table 4.6: Financial Dependents of the Respondents

<table>
<thead>
<tr>
<th>Highest education level</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Child</td>
<td>9</td>
<td>16.36</td>
</tr>
<tr>
<td>One Child</td>
<td>5</td>
<td>9.1</td>
</tr>
<tr>
<td>Two Children</td>
<td>21</td>
<td>38.18</td>
</tr>
<tr>
<td>Three Children</td>
<td>15</td>
<td>27.27</td>
</tr>
<tr>
<td>&gt;Three Children</td>
<td>5</td>
<td>9.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>55</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Primary data

4.3.6 Household Income of the Respondents

The sixth demographic factor sought was the monthly gross income of the respondents in the international nongovernmental organizations. As presented in table 4.7 below, 9.1% of the respondents earned less than Ksh. 60,000, 21.8% were earning between Ksh 61,000 and Ksh 90,000, 49.1% earned between Ksh. 91,000 and Ksh. 120,000, 5.5% were earning between Ksh. 121,000 and Ksh.150,000, 5.4% were earning between Ksh. 151,000 and Ksh.180,000, 5.4% earned between Ksh. 181,000 and Ksh.210,000 and 1.8% earned above Ksh. 210,000.
Table 4.7: Level of Income of the Respondents

<table>
<thead>
<tr>
<th>Gross monthly income</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;60,000</td>
<td>5</td>
<td>9.1</td>
</tr>
<tr>
<td>60,001-90,000</td>
<td>12</td>
<td>21.8</td>
</tr>
<tr>
<td>90,001-120,000</td>
<td>27</td>
<td>49.1</td>
</tr>
<tr>
<td>120,000-150,000</td>
<td>3</td>
<td>5.5</td>
</tr>
<tr>
<td>150,001,180,000</td>
<td>4</td>
<td>7.3</td>
</tr>
<tr>
<td>180,001-210,000</td>
<td>3</td>
<td>5.4</td>
</tr>
<tr>
<td>&gt;210,000</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>55</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Primary data

4.3.7 Financial Literacy

Financial literacy of the respondents was tested in likert item questions and results in table 4.8 reveal that employees INGO to a moderate extent know a about investments in stocks, bonds and mutual funds as shown by a mean of 1.258 and standard deviation of 0.15425. The findings indicates that to a moderate extent, employees of INGOs have invested in stocks, bonds and mutual funds as confirmed by a mean of 1.582 and standard deviation of 0.25409. The findings illustrates that respondents to a moderate extent know how to calculate interest on their investments. A mean of 3.287 and standard deviation of 1.1083 depicts that to a large extent, respondents opine that investing in the stock market by buying a wide range of stocks and shares can help to reduce risks. The respondents indicate that investing in ordinary shares yields a higher long term growth as compared to treasury bills as indicated with a mean of 4.256 and standard deviation of 0.5816. To a moderate extent, the respondents indicated that they use financial knowledge to make personal financial decisions. To a large extent as shown by a mean of 2.507 and standard deviation of 1.1058, respondents indicated that they understand investments options for pension schemes. However, the result showed that
employees of the INGOs do not know how to calculate benefits due to them on retirement as shown a mean of 1.458 and standard deviation of 0.2103. The result on financial literacy indicated that employees of the INGOs are moderately financially literate.

**Table 4.8 Financial Literacy of Respondents**

<table>
<thead>
<tr>
<th>Financial Literacy</th>
<th>Mean</th>
<th>Std.Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>I know about investments (Stocks, Bonds, Mutual funds)</td>
<td>1.258</td>
<td>0.15425</td>
</tr>
<tr>
<td>I have invested in stocks, bonds or mutual funds</td>
<td>1.582</td>
<td>0.25409</td>
</tr>
<tr>
<td>I know how to calculate interest on my investments</td>
<td>1.851</td>
<td>1.09151</td>
</tr>
<tr>
<td>Investing in the stock market by buying a wide range of stocks and shares can help to reduce risks.</td>
<td>3.287</td>
<td>1.1083</td>
</tr>
<tr>
<td>Investing in ordinary shares yields a higher long term growth as compared to treasury bills.</td>
<td>4.256</td>
<td>0.5816</td>
</tr>
<tr>
<td>I use financial knowledge to make personal financial decisions</td>
<td>2.954</td>
<td>1.1852</td>
</tr>
<tr>
<td>I understand investment options for pension schemes</td>
<td>2.507</td>
<td>1.1058</td>
</tr>
<tr>
<td>I can calculate benefits due to me on retirement</td>
<td>1.458</td>
<td>0.2103</td>
</tr>
<tr>
<td>Total</td>
<td>1.7691</td>
<td>0.8363</td>
</tr>
</tbody>
</table>

Source: Primary data

**4.3.8 Time to Retirement of Respondents**

The study further sought to classify the respondents on the basis of how long they still intend to pursue active employment. This period was deemed necessary in influencing retirement preparedness of the respondents. As presented in table 4.9 below, majority of the respondents 45.45%, indicate that they still intend to work for between 16 to 20 years, 23.63% of the respondents indicate that they would work for 21 to 25 years, 21.82% of the respondents would work for 11 to 15 years, 7.3% of the respondents would work for 6 to 10 years and 1.8% of the respondents would work for less than 5 years.
Table 4.9 Time to Retirement of the Respondents

<table>
<thead>
<tr>
<th>Time to Retirement</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;5 years</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>6-10 years</td>
<td>4</td>
<td>7.3</td>
</tr>
<tr>
<td>11-15 years</td>
<td>12</td>
<td>21.82</td>
</tr>
<tr>
<td>16-20 years</td>
<td>25</td>
<td>45.45</td>
</tr>
<tr>
<td>21 – 25 years</td>
<td>13</td>
<td>23.63</td>
</tr>
<tr>
<td>&gt;26 years</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>55</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Primary data

4.3.9 Respondents Attitude to Retirement

The study sought to establish individual attitude to retirement and retirement planning and the result is presented in table 4.10 below.

Table 110: Respondents Attitude to retirement

<table>
<thead>
<tr>
<th>Attitude</th>
<th>Mean</th>
<th>Std.Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Involvement in my retirement plan matters to me.</td>
<td>4.2081</td>
<td>.0581</td>
</tr>
<tr>
<td>My involvement in my retirement plan is very relevant.</td>
<td>3.5153</td>
<td>0.7805</td>
</tr>
<tr>
<td>My involvement in my retirement plan is of great concern to me.</td>
<td>3.8901</td>
<td>1.2934</td>
</tr>
<tr>
<td>My involvement in my retirement plan means a lot to me.</td>
<td>4.5265</td>
<td>0.0684</td>
</tr>
<tr>
<td>Involvement in my retirement planning is appealing.</td>
<td>3.9801</td>
<td>0.7015</td>
</tr>
<tr>
<td>Involvement in my retirement planning is interesting.</td>
<td>3.2093</td>
<td>1.2051</td>
</tr>
<tr>
<td>Involvement in my retirement planning is exciting.</td>
<td>4.1046</td>
<td>.2508</td>
</tr>
<tr>
<td>Involvement in my retirement planning is dull.</td>
<td>1.0915</td>
<td>1.7827</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3.6906</strong></td>
<td><strong>1.0176</strong></td>
</tr>
</tbody>
</table>

Source: Primary data
The result indicated that the respondents’ attitude had a combined mean of 3.6906 with standard deviation of 1.0176. This implied that involvement in retirement planning is significant for respondents as indicated with a mean of 4.2081 and standard deviation of 0.0581. However, the study established that retirement planning process is a dull experience to the respondents.

4.3.9 Existence of Employer Contribution Scheme

All the respondents indicate that their employers have in place a pension scheme where the employee contribution is matched. These are private pension schemes distinct from the government sponsored schemes.

4.4 Financial preparedness

The respondents were required to indicate their financial preparedness for retirement through various investment options and based on the financial resources they had set aside for retirement. The result of the responses was tabulated in table 4.11 below.

Table 4.11: Financial preparedness for Retirement of the Respondents

<table>
<thead>
<tr>
<th>Investment Options</th>
<th>Mean</th>
<th>Std.Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash savings in a bank account</td>
<td>4.251</td>
<td>0.1681</td>
</tr>
<tr>
<td>Investment in shares, bonds, mutual funds</td>
<td>4.508</td>
<td>0.1182</td>
</tr>
<tr>
<td>Land and buildings (real estate)</td>
<td>3.983</td>
<td>0.2681</td>
</tr>
<tr>
<td>NSSF</td>
<td>3.651</td>
<td>0.368</td>
</tr>
<tr>
<td>Organizational pension scheme</td>
<td>4.812</td>
<td>0.025</td>
</tr>
<tr>
<td>Insurance Companies pension scheme</td>
<td>3.581</td>
<td>0.754</td>
</tr>
<tr>
<td>Total</td>
<td>4.241</td>
<td>0.18948</td>
</tr>
</tbody>
</table>

Source: Primary data
The study established that employees of INGOs consider cash savings in a bank account as a component of financial preparedness for retirement as shown with a mean of 4.251 and standard deviation of 0.1681. Employees of INGOs take investments in shares, bonds and mutual funds for financial preparedness in retirement plan having shown a mean of 4.508 with standard deviation of 0.1182. The study has also revealed that employees of INGOs invest in land and building (real estate). NSSF, organizational pension scheme and insurance companies’ pension schemes contribute largely to financial preparedness.

4.5: Level of Financial Preparedness for Retirement

The study further sought to estimate the level of financial preparedness amongst the INGO employee respondents. The results as presented in table 4.12 below indicates that the level of financial preparedness for INGOs employees is moderate as indicated with a total mean of 3.035 and standard deviation of 0.8001.

<table>
<thead>
<tr>
<th>Financial preparedness</th>
<th>Mean</th>
<th>Std.Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calculations have been done to estimate how much money i (we) will have saved for retirement.</td>
<td>2.2081</td>
<td>1.0581</td>
</tr>
<tr>
<td>I know how much money i (we) will need for retirement.</td>
<td>3.5153</td>
<td>0.7805</td>
</tr>
<tr>
<td>I know how much money i (we) have to save every month in order to retire at a comfortable level.</td>
<td>1.8901</td>
<td>1.2934</td>
</tr>
<tr>
<td>I am (we are) saving enough each month to retire comfortably.</td>
<td>4.5265</td>
<td>0.0684</td>
</tr>
<tr>
<td>Total</td>
<td>3.035</td>
<td>0.8001</td>
</tr>
</tbody>
</table>

Source: Primary data

4.6 Relationship between Demographic Characteristics and Financial Preparedness for Retirement

In this study, respondents’ financial preparedness for retirement is regressed against ten determinant variables namely: Gender, Age, Education, Marital status, financial dependants, Household income, financial literacy, Time to retirement, Individual attitude
and Employer contribution to retirement plan at work. The regression results are presented in table 4.13 below.

### Table 4.13: Relationship between Demographic Characteristics and Financial Preparedness for Retirement

#### Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.436a</td>
<td>.190</td>
<td>.028</td>
<td>1.25118</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Attitude, Time to retirement, Age, Gender, Financial Literacy, Education, Marital Status, household Income, Financial Dependents

#### ANOVAb

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>16.537</td>
<td>9</td>
<td>1.837</td>
<td>1.174</td>
<td>.335a</td>
</tr>
<tr>
<td>Residual</td>
<td>70.445</td>
<td>45</td>
<td>1.565</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>86.982</td>
<td>54</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Attitude, Time to retirement, Age, Gender, Financial Literacy, Education, Marital Status, household Income, Financial Dependents

b. Dependent Variable: Financial Preparedness for retirement

#### Coefficientsa

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>1.058</td>
<td>1.217</td>
<td>.869</td>
<td>.390</td>
</tr>
<tr>
<td>Age</td>
<td>1.556</td>
<td>3.233</td>
<td>.086</td>
<td>.481</td>
</tr>
<tr>
<td>Education</td>
<td>.217</td>
<td>2.485</td>
<td>.013</td>
<td>.088</td>
</tr>
<tr>
<td>Gender</td>
<td>1.043</td>
<td>.352</td>
<td>.406</td>
<td>2.962</td>
</tr>
<tr>
<td>Marital Status</td>
<td>-.013</td>
<td>.260</td>
<td>-.007</td>
<td>-.052</td>
</tr>
<tr>
<td>Financial Dependents</td>
<td>-.1562</td>
<td>3.427</td>
<td>-.088</td>
<td>-.456</td>
</tr>
<tr>
<td>household Income</td>
<td>1.153</td>
<td>.262</td>
<td>.087</td>
<td>.583</td>
</tr>
<tr>
<td>Financial Literacy</td>
<td>2.280</td>
<td>2.759</td>
<td>.128</td>
<td>.827</td>
</tr>
<tr>
<td>Time to retirement</td>
<td>1.254</td>
<td>2.593</td>
<td>.071</td>
<td>.483</td>
</tr>
<tr>
<td>Attitude</td>
<td>-.034</td>
<td>.045</td>
<td>-.111</td>
<td>-.749</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Financial Preparedness for retirement
As presented in table 4.13 above, the study finds that 19% of variations in financial preparedness for retirement are explained by variations in demographic characteristics of the employees. The regression model present that gender is statistically significant in explaining the levels of financial preparedness for retirement ($\beta=1.043$, $t = 2.962$, $p<0.05$). The study shows that gender is positively related with financial preparedness for retirement which is consistent with literature and expectations of the model.

Employees’ attitude ($\beta=-0.034$, $t=-0.749$, $p>0.05$) is established to be negatively related to financial preparedness for retirement. This finding conforms that the attitude held by an employee towards the retirement experience will affect their saving patterns for retirement.

Time to retirement ($\beta =1.254$, $t=0.483$, $p>0.05$) positively influences the levels of financial preparedness for retirement. The tendency for employees closer to retirement to feel not well prepared may be resulting from retirement fright which is influenced by the employee attitude and his or her circumstances.

Financial Literacy ($\beta=2.280$, $t=0.827$, $p>0.05$) is established in the study to be positively related to financial preparedness for retirement. This finding confirms the importance of financial education to employees and the importance of training on pension matters to employees.

Household income ($\beta=1.153$, $t=0.583$, $p>0.05$) is established in the study to be positively related to financial preparedness for retirement. Consistent with expectations and literature, the levels of earnings of employees influence their saving patterns. It is therefore instructive that employee levels of remuneration should be a consideration in design of retirement plans within the organizations.

Number of financial dependants ($\beta=-1.562$, $t=-0.456$, $p>0.05$) negatively related to financial preparedness for retirement. A possible explanation for this is that dependants
commit the financial resources of the employees with respect to basic care, education and health which deplete resources that would otherwise be used for saving or investments.

Being married is established to be negatively related to financial preparedness for retirement ($\beta=-0.013$, $t=-0.052$, $p>0.05$). Possible explanations for this relationship are the financial commitments that come with marriage especially on family establishments.

The study finds that the levels of employee education ($\beta=0.217$, $t=0.088$, $p>0.05$) is positively related with financial preparedness for retirement. This finding confirms the role played by education in reinforcing financial discipline. Employee age ($\beta=1.556$, $t=0.481$, $p>0.05$) is also positively related with financial preparedness for retirement. This finding shows that older employees have accumulated resources over the years that are considered adequate for the retirement experience.
CHAPTER FIVE:
SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.1 Introduction
This chapter presents discussions of the key findings presented in chapter four, conclusions drawn based on such findings and recommendations. This chapter is thus structured into sections namely: summary of findings, conclusion, recommendations, limitation of the study and suggestions for further research.

5.2 Summary of Findings
The study sought to investigate the relationship between financial preparedness for retirement and its determinants among sixty employees in the international nongovernmental organizations in Kenya. The determinants identified from the literature were mostly demographic characteristics of the respondents. Fifty five questionnaires were dully completed and analyzed which returned a 91.67% response rate.

The demographic information of the respondents on gender established more male respondents which characterize formal workplaces of more male than female. Findings on employee age suggest a younger workforce in the Kenyan INGO sector as a majority of the respondents are of young age brackets. The third demographic factor sought was the level of education of the respondents. The study finds that majority of the respondents are graduates which underscore the higher levels of skills in the sector. Further a majority of the respondents are married which suggest that most of them have family commitments which is confirmed with the majority having direct financial dependants. The results on the employee income shows that employees in the INGO sector are moderately well remunerated and are thus expected to have in place adequate investments and savings. Financial literacy of the respondents tested in likert item responses infer that generally, the employees of the INGOs are moderately financially literate. The study finds that a majority of the study respondents still intend to work for about two decades which is related to the earlier finding of a younger work force. Employee attitude to retirement and retirement planning underscore that the experience is
dull as cited in literature. On average, involvement in retirement planning is important for respondents. As expected all the employees have in place a private employer pension contribution scheme.

The study finds that NSSF, organizational pension scheme and insurance companies’ pension schemes contribute largely to financial preparedness of the employees. The employees also consider cash savings in bank accounts, investments in shares, bonds and mutual funds, land and buildings as components of financial preparedness for retirement. The study establishes a mean moderate level of financial preparedness for the INGO employees.

The multiple regression analysis suggests that 19% of variations in the levels of financial preparedness for retirement are explained by variations in the identified demographic attributes considered in the study. The regression output finds a statistically significant relationship between gender and employee preparedness for retirement. The attributes that positively influence the levels of financial preparedness for retirement are time to retirement, financial literacy, household income and levels of education. The attributes that negatively influence financial preparedness for retirement are employees’ attitude, number of financial dependants and marital status which commits their financial resources.

5.3 Conclusions and Recommendations
Based on the study findings, it is concluded that gender influences saving patterns for retirement amongst the INGO employees in Kenya. The contested role of gender on investment and saving decisions of households in Chowa (2006) advance that women save better than men. Financial literacy and education are established to influence the level of financial preparedness for retirement among the employees of international nongovernmental organizations. This finding supports the propositions by Doyo (2012) that when the participants have a high level of financial literacy, they are able to make key decisions that involve money in such a way that there is minimal risk to them. These would usually make the use of experts. Those who have low levels of literacy will have
to rely on other sources like the media, employers, friends and relatives. These may not offer the best advice to the person in need.

Similar to Gitari (2012) who posited that financial literacy, income and the respondents’ level of education are strongly and positively associated with retirement planning and statistically significant at conventional levels. The study confirms positive relationships between levels of financial preparedness for retirement and to retirement, financial literacy, household income and levels of education.

As found in Gitari (2012) that age and marital status are statistically insignificant in financial preparedness for retirement. The current study establishes a positive statistically insignificant relationship between financial preparedness for retirement and age. It further establishes a statistically insignificant negative relationship between marital status and financial preparedness for retirement as well as number of financial dependants and employee attitude.

Since the study establishes that financial literacy and education positively influence financial preparedness for retirement, the study recommends that international non-governmental organizations in Kenya should provide their employees with financial information about retirement plans as well as financial planning training sessions. To boost the planning process, the eventuality of retirement should be made obvious for all the employees in the Kenyan economy so as to influence peoples’ attitude and receptiveness to the process.

5.4 Limitations of the study
The researcher experienced a number of limitations while carrying out the research. The major limitation was the limited literature available on similar work in Kenya with most of the literature references were from the Western world.

The study assumed that the relationship between financial preparedness for retirement and its demographic explanatory variables. This assumption led to the use of the linear
regression model. There is a possibility that the relationship is not linear like used in the analysis among all the variables and that could be why some of the variables weakly explained the financial preparedness for retirement. Given that this study is unable to categorically state whether the relationship is linear or otherwise. The findings are therefore limited to the linearity assumption.

The research findings are applicable to the INGO sector and within the period of study. The study has not established whether the results are same outside Kenya or not. Further, since finance is in part a behavioural issue, the study has only given findings applicable within the context of the available data. The study has not expressly investigated whether the findings are applicable after the study conclusion.

5.5 Suggestions for further Research
Since the study finds that marital status, number of financial dependants and employee attitude negatively relate to financial preparedness, further investigations should evaluate the psychological and behavioural factors that influence individual employee’s attitudes towards retirement. The finding that marital status and number of financial dependants negatively influence levels of financial preparedness for retirement indicates that financial commitments affect the desired outcome. Further studies should investigate how financial commitments of employees especially borrowings affect the levels of financial preparedness for retirement.

Gender is a statistically significant variable in explaining the levels of financial preparedness for retirement. Further research should consider the differences in behaviour amongst the employee sexes that induces disparities in saving patterns for retirement. A possible explanatory behaviour is risk aversion of the employees induced by gender. The positive influence of financial literacy and education on levels of financial preparedness for retirement should ignite the need for investigation on the effectiveness of pension awareness campaigns sponsored by governments and pension schemes.
REFERENCES


Grossbard-Schectman (Ed.), *Marriage and the economy*: (pp. 129–152), Cambridge University Press.


APPENDIX ONE: QUESTIONNAIRE

Dear Participant,

I am a student of MSc. Finance from University of Nairobi. I am conducting a research which aims to investigate the determinants of financial preparedness for retirement international nongovernmental organizations (INGOs) in Kenya. This research is purely for academics purposes. I am assuring you that all the information provided in this survey will be kept confidential and anonymous. Your cooperation in this regard is highly appreciated.

1. Name / Title: ________________________________ (Optional)
2. Designation: ______________________________
3. Occupation: ______________________________
4. Organization: _____________________________
5. Age: ________________________________
6. How many years do you intend to be employed still? ________________ Years
7. How many children depend on you financially? ________________
8. Gender:
   Male (  )  
   Female (  )  
9. Marital Status:
   Single (  )  
   Married (  )  
   Divorced (  )
10. **Highest education level attained:**

Primary

Secondary

College/Technical School/ Polytechnic

University

Other (Please specify)

11. What is your monthly gross income?

Below Kshs 30,000

60,001- 90,000

90,001- 120,000

120,001- 150,000

150,001- 180,000

180,001- 210,000

Above 210,000

12. Does your employer match your contributions to the pension scheme?

Yes

No

13. **Financial Literacy**

These questions are intended to measure finance literacy levels. Use the key below and tick as appropriate.
Please indicate to what extent you agree or disagree with the following statements under each category below, where:

Not at all [0]; To a less extent [1]; To a moderate extent [2]; To a large extent [3]; To a very large extent [4]

<table>
<thead>
<tr>
<th>Statement</th>
<th>Not at all</th>
<th>To a less extent</th>
<th>To a moderate extent</th>
<th>To a large extent</th>
<th>To a very large extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>I know about investments (Stocks, Bonds, Mutual funds)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I have invested in stocks, bonds or mutual funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I know how to calculate interest on my investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investing in the stock market by buying a wide range of stocks and shares can help to reduce risks.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investing in ordinary shares yields a higher long term growth as compared to treasury bills.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I use financial knowledge to make personal financial decisions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I understand investment options for pension schemes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I can calculate benefits due to me on retirement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
14. **Attitude**

*These questions are intended to measure individual attitude to retirement and retirement planning. Use the key below and tick as appropriate.*

*Please indicate to what extent you agree or disagree with the following statements under each category below, where:*

Not at all [0]; To a less extent [1]; To a moderate extent [2]; To a large extent [3]; To a very large extent [4]

<table>
<thead>
<tr>
<th></th>
<th>Not at all</th>
<th>To a less extent</th>
<th>To a moderate extent</th>
<th>To a large extent</th>
<th>To a very large extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Involvement in my retirement plan matters to me.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My involvement in my retirement plan is very relevant.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My involvement in my retirement plan is of great concern to me.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My involvement in my retirement plan means a lot to me.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Involvement in my retirement planning is appealing.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Involvement in my retirement planning is interesting.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
15. **Financial Preparedness**

If you were to retire or stop working today, how would you gauge your retirement preparedness based on the resources you have been setting aside for this purpose?______

Not prepared=0 Least prepared=1 Prepared=2 Much prepared=3 Very much prepared=4

What are you doing to prepare yourself for retirement so as to retain your lifestyle in case you are no longer able to work?

<table>
<thead>
<tr>
<th></th>
<th>Not prepared</th>
<th>Least prepared</th>
<th>Prepared</th>
<th>Much prepared</th>
<th>Very much prepared</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash savings in a bank account</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in shares, bonds,</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>mutual funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and buildings (real estate)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NSSF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational pension scheme</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance Companies pension</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>scheme</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others (Specify)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
16. These questions are intended to measure levels of financial preparedness. Use the key below and tick as appropriate.

*Please indicate to what extent you agree or disagree with the following statements under each category below, where:*

Not at all [0]; To a less extent [1]; To a moderate extent [2]; To a large extent [3]; To a very large extent [4]

<table>
<thead>
<tr>
<th></th>
<th>Not at all</th>
<th>To a less extent</th>
<th>To a moderate extent</th>
<th>To a large extent</th>
<th>To a very large extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calculations have been done to estimate how much money I (we) will have saved for retirement.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I know how much money I (we) will need for retirement.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I know how much money I (we) have to save every month in order to retire at a comfortable level.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I am (we are) saving enough each month to retire comfortably.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>