EFFECT OF FINANCIAL LITERACY ON PERSONAL FINANCIAL MANAGEMENT OF EMPLOYEES IN LAW FIRMS IN MOMBASA COUNTY IN KENYA

FIDELIS OMARI ABERE

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DECLARATION

This research project is my original work and has not been presented for a Degree Award in any other University or learning institution.

Signature………………………… Date ……………………………………….

FIDELIS OMARI ABERE

ADM NO: D61/77769/2015

This research project report is being submitted for examination with my approval as the University supervisor

Signature …………………………… Date ……………………………………….

NAME: Dr. MORRIS IRUNGU

Department of finance and accounting

School of business

University of Nairobi

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DEDICATION

I dedicate this study to my wife, Josephine for the great help and encouragement to me. I appreciate my daughter Valerie and son Robinson for being a great motivation in my life during my period of study. I equally appreciate my father John and my mother Teresa for their support during the period of the study.

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ABSTRACT

The study investigated the effect of financial literacy on the personal financial management of employees working in law firms in Mombasa County, in Kenya. The study applied descriptive research design on a target population of 66 Law firms as per law society of Kenya directory 2017. A census of all law firms within Mombasa County was analyzed. A self-administered questionnaire was given to the respondent's one in each law firm to an employee other than the proprietor or partners in case of a partnership. The first part of the questionnaire covered the demographic variables. The second part covered financial literacy and personal financial management questions respectively on a 5 point Likert scale. Statistical inferences were drawn by the use of ANOVA (Analysis of variance) and tabulations of the study variables. The study found out that the financial literacy positively affects personal financial management among the employees working in law firms in Mombasa County. The study a strong linear relationship amongst the investment decisions, the budgeting decisions, the retirement plans and the saving plans on personal financial management on the employees working in law firms in Mombasa County. The retirement plans had the highest regression coefficient. The coefficient of determination R square was 0. 617. The reliability analysis was done by use of Cronbach's coefficient alpha. The overall regression model was significant at 95% level of significance. The study recommends that the proprietors of law firms should come up with a financial literacy programs aimed at addressing the financial wellbeing of their employees. The firms should introduce financial planning programs emphasizing the importance of saving plans. The study faced numerous limitations. Some of the respondents failed to return all the questionnaires and some even gave incomplete questionnaires.

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ABBREVIATIONS & ACRONYMS

ANOVA	Analysis of Variance
BP	Budget Plans
ESOPS	Employees Stock Ownership Plan
ID	Investment Decisions
MFIS	Micro- Finance Institutions
SMSS	Small and Medium Enterprises
SP	Saving Plans
SPSS	Scientific Packages for Social Science
USA	United States of America
NPV	Net Present Value
PBP	Pay Back Period
PFM	Personal Financial Management
TC	Total Cost
TI	Total Investment
RP	Retiring Plans
ROA	Return on Assets

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Financial literacy comprises awareness, knowledge, skill and an individual understanding on best ways of financial practices (Lusardi & Mitchell, 2011). Issues relating to financial literacy demonstrate the capacity that rational economic agents have on the optimal decision-making process regarding consumption-savings decisions (Stango & Zinman, 2009). In general, there is consensus that individuals lacking the know-how on financial matters are ill equipped to successfully conduct and complete efficient decisions regarding financial issues. Good knowledge for managing ones resources calls for one to do a research on available loans given by banks, maintain savings or current accounts, investment plans, subscription to insurance covers to secure their future and wise spending of available income for daily expenses (Stango & Zinman, 2009).

The theoretical basis of the study is made of; Goal Setting by Locke (1986) who states that well thought out goals and desire to achieve the set goals will lead to success. Locke and Latham (1990) put out “a theory of goal setting and task performance” that brought five philosophies considered crucial in determining goals. The philosophies put forward include the following; lucidity, trials, obligations, response and job intricacy. The underpinning conviction of the theory is found on cognizant of goals and aims to achieve a goal (Locke, 1996).Furthermore, Locke (1996) posited that objectives shape the behaviour of individuals and their commitments in life and to some extent determine their destiny. The second theory is disposition effect theory by Shefrin & Statman (1985) which states that rich people are always ready to dispose materials which are of less value. The theory forecasts a situation where business dealers exchange goodies for less promising stock. It predicts that traders will tend to sell winners and hold losers. They further proposed that a person is likely to sell off items of high value and store less valuable goods when the business is not performing well due to poor business environments for example, during bad economic times, shareholders are reluctant to sell their shares for fear of making losses but wait until share prices rise to make super profits and Lifecycle saving theory which was developed by Modigliani and his student Brumberg 1954 which states that people save for retirement. At an early age, young people earn very little income that cannot cater for all their needs and that of their immediate family. As a result they possess many of their assets on credit and pay in installment which drains their income leaving them with nothing to save. With advancement of and for the fear of retirement they put aside their income and invest so that they can make an income in their days outside the office (Modigliani 1985).

In a research conducted by Fin Access (2016), it was revealed that 57.3% of Kenyans take credit to finance their day-to-day needs, while only 15.8% and 14.7% take loans to invest for business purposes and house/land purposes respectively. In Kenya, Fin Access (2016) also showed that only 11% of Kenyans hold a tertiary level of education, research further revealed the percentage of Kenyans who use investment products has declined from 2013 at 11.6% to 10.6% in 2016.These findings have prompted policymakers to support efforts to enhance household personal financial management and welfare through increasing financial literacy.

1.1.1 Financial Literacy

This is a practice concerned with individuals understanding of finance decisions concerned with money reserves, retirement preparation, or investment decisions (Lusardi & Tufano, 2009). It further encompasses how individuals use their incomes to meet their daily basics and having a plan that will make sure they meet their needs until the next earning. Furthermore, the lack of it makes individuals make incorrect decisions on planning for their finances. Such individuals do not put in place a retirement plan, long term investment and plan for their indebtedness (Lusardi & Tufano, 2009). Financial literacy equips one to better utilize their resources. This assists in making effective financial decisions regarding spending, saving and managing debt (Nwibo & Alimba, 2013). For instance, when investing in a home plan, paying for education, starting a family and preparing for a retirement.

It can also be viewed as the extent to which an individual is able to undertake basic money management practices, make better financial choices and plan finances to meet daily expectations, expectations in the mi-term and future expectations to meet the unpredictable nature of life (Kempson & Drozdowska,2009). It has a lot of importance to everyone and to all spheres of life. A person or an entity with good financial practices has high chances of prosperity and survival. This is because the know-how they have on money matter enables them to know the right ways to spend and where to keep their money to gain higher yields. Knowledge on monetary management will be assessed by use of ratios such as; composite interest, price increase, threat variation and monetary input for future when a person leaves office.

1.1.2 Personal Financial Management

Agarwal, Driscoll, Gabaix, and Laibson (2009) asserts that it's the capability of individuals to pick the best instrument that will benefit them in the long-run. An individual practices on ways of handling their money is concerned with how they plan, spend and set aside a certain percentage for future use. To effectively manage one's finances, one need to plan and put in place checks and balances to make sure that the objective is met.

According to Kempson and Finney (2009), personal finance management skills are affected by an individual's financial control, expenditure and planning. The best methods one can use his/her money right is by having a budget for expenses, taking credit that they can repay and living within their means. Budgeting and living within means, means using finances as planned for and reducing unnecessary spending. Other approaches include; positioning, financial protection, tax planning, investing, retirement planning and estate plan (Kempson & Finney, 2009).

1.1.3 Financial Literacy and Personal Finance Management

When people are financial literate, they have a better understanding and perception on managing the resources they have. They are able to ensure they meet their daily needs, plan for future expenses, credit and loan and putting the resources they have in areas that can yield additional income (Nelson & Wambugu, 2008). Currently, studies like those of Lusardi and Mitchell (2008) indicate that, individuals who are financial literate utilize their finances well as compared to non-financial literate. The financial literate tend to plan well for their expenditure, investment and retirement. Lack of financial literacy is mostly associated with unnecessary borrowing, unwise spending and poverty (Stango & Zinman, 2009).

Bengi and Njenje (2016) are of the view that, educated people have better understanding on how to manage their income and resources. They tend to plan well on how to use their money, future needs of their family and take up investments that will guarantee them of profits and continued income for their future. Further, they point out that such informed people tend to avoid unnecessary borrowing and do not end up in poverty.

Scholars in various academic fields have established that possession of monetary knowledge makes an individual to manage finances well for him/herself and that of the immediate beneficiaries (Garman, 1999). Of late, many individuals and government agencies have doubled their efforts to ensure that the knowhow among the population on money matters is higher so that cases of misuse of money and suffering of families are minimized. Hilgert, Hogarth and Beverly (2003) advocates for more empirical studies on this field to give a scientific underpinning that will guide policy makers in taking necessary steps to improve on financial education among individuals.

1.1.4 Employees of Law Firms

In Kenya the legal system was developed by the colonial master and the doctrines of the constitution after independence were similar to that of the United Kingdom. The common citizen could not interpret the law during court proceedings, legal representation was required hence the development of legal practices in the country. Over years it has expanded to a large society offering various legal services that by 2012, the number of registered lawyers was 8001 (Law society of Kenya, 2012).

The legal business employs a number of people and in complex matters in the one can't manage without legal representation (Wanyonyi, 2014). Furthermore, the lawyers are educated in matters of the law; however, a good number of them and their staff lack good financial management skills to handle financial issues. Most of them live lavish life by driving top of the range vehicles; however, there have been cases of advocate's mismanaging client's finances, poor servicing of loans and high indebtedness (Wanyonyi, 2014).

1.2 Research Problem

Financial literacy is concerned with an individual's understanding of the best practices to use the money they have or plan for money that they expect to earn (Nelson & Wambugu, 2008). This know how is critical to all people in the quest to transact business with financial institutions and even personal financial practices. Furthermore, good mastery of these practices aids an individual in making best financial practices and overcome common challenges that may lead to a loss of the resources and assets they possess. When people are financial literate, they have a better understanding and perception on managing the resources they have. They are able to ensure they meet their daily needs, plan for future expenses, credit and loan and putting the resources they have in areas that can yield additional income (Nelson & Wambugu, 2008).

Individuals who do not understand how best to manage their finance face challenges in saving, investment and expenditures. They cannot differentiate between personal finances and that of business and also find it difficult to decide on how to invest their money to make an extra income. Lastly, they carelessly spend their money and leave very little or nothing for their future lives when they are no longer active in employment, (Lusardi & Mitchell, 2008). Individual productivity at the workplace is considerably affected by financial problems employees face (Kim & Garman, 2004). This include financial problems from behaviors such as over indebtedness, overspending, unwise or poor credit habits, poor spending decisions and lack of sufficient money to make ends meet. This is irrespective of the fact that most of the employees in law firms enjoy salaries and remuneration packages that are the envy of many employees in other sectors, (Kim and Garman, 2004).

Nyamute and Monyoncho (2011) examined knowledge on financial management and decision making on employees among financial institutions. The findings indicate that knowledge possessed on financial management and decision making influences how individuals make decisions regarding setting aside some funds towards their retirement. Bengi and Njenje (2016) found good practices in managing finances leads to higher growth of MFIs; interest rates and growth of MFIs did not indicate any significant relationship. Nwibo and Alimba (2013) investigated the relationship between financial understanding and profitability of women self-help groups and established knowledge in finances made it possible to record transactions and pay off money borrowed for businesses or family use.

Past research papers by various scholars came up with different findings on related issues of the study locally and abroad. Studies by Moore (2003), investigated knowledge, behaviour and experience in Washington, Lusardi and Mitchell (2011), investigated financial knowledge in USA, Hieltjes and Petrova (2013), investigated what drives demand for savings accounts among the most un-bankable populations, Olima (2013), investigated employee financial knowledge and relationship in financial decisions, Kibui (2013) sought to find out how financial literacy affects financial practices among the youth in Kenya however none has explored personal financial management of law firm employees. This study is of significance since it provides solution to the question; what is the effect of financial literacy on personal financial management of employees in law firms?

1.3 Research Objective

To establish the effect of financial literacy on personal financial management of employees in law firms in Mombasa County.

1.4 Significance of the Study

Academicians and researchers will find the research findings of significance to their upcoming scholarly work. The findings will provide information on shaping stakeholders thinking and opinions on the subject. The study will also be useful to key stakeholders in the financial field and bankers in developing measures that will lead to improvement of financial knowledge among the population. The government may also find it necessary to give more importance of financial education to schools and colleges. Providers of financial services will utilize the findings to come up with measures to enhance the understanding of their clients on the various financial products they offer.

Information from the study will also be valuable to managers in law firms in making decisions relating to training employees on financial matters, investments and retirement planning. The employees will understand how to; spend, save, invest their finances. The study will also give them various recommendations on how to improve on their financial literacy like undertaking financial education programs etc.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Chapter two covers the study theories i.e Goal setting theory, disposition effect theory, life cycle saving theory, the empirical review comprises of local and international studies, determinants of the study and the conceptual framework.

2.2 Theoretical Review

The theories adopted for this study are comprehensively explained and their relationship to the study established. They include; Goal setting theory, Disposition effect theory and life-cycle saving theory.

2.2.1 Goal Setting Theory

Locke and Latham (1968) founded this theory and they stated that well thought out goals and desire to achieve the set goals will lead to success. Locke and Latham (1990) further explains that, people who have a plan of what they want to do and like pushing the limits are more successful than others. Kapoor, Dlabay and Hughes (2004) also holds the view that people who set goals and work towards achieving those goals are always successful provided they do exactly what they intended to do from the beginning.

Kapoor *et al.* (2004) attributes such a behavior to be associated on what a person wants for the immediate and long-term agenda. This is a good approach as it helps one utilize their resources efficiently and effectively although the social set up and background can influence such decisions (Kapoor *et al.*, 2004). Hilgert, Hogarth & Beverly (2003) on their journal house hold financial management states that individuals with good know how on proper use of finances engage in useful money practices on their plans, usage and future financial obligations and vice-versa.

The theory is significant to the study because it upholds a key factor in financial management which is financial planning; it further explains how individuals utilize their resources and allocate some for prosperity. When a person is in a position to utilize his/her resources with the future in mind, they tend to make the right decisions on how to manage their resources. Because, they always put in consideration the key reasons for securing their future with laid down figures to meet current and future needs.

2.2.2 Disposition Effect Theory

This theory was founded by Kahneman and Tversky in 1979 and is set on beliefs that are different from early studies done in the same area. Previous studies were more based on normal predictable boosting of individual consumption levels as investors had to decide whether to undergo an S-shaped consumption curve or price function based on no profits within a certain market (Shefrin & Statman, 1985).The curve is bowl shaped at the point of profits and raised at the point of losses. Shefrin and Statman (1985), states that individuals have a tendency of getting rid of high value materials and keeping depreciated materials for example, during bad economic times, shareholders are reluctant to sell their shares for fear of making losses but wait until share prices rise to make super profits.

Barber and Odean (1999) believe that the theory focuses on two scenarios; lose and win. Investors who are risk averse make the highest profits as compared to those who hold their assets and wait until they are sure of making profits so as to invest. Shefrin and Statman (1985), believes that investors who fear making losses most of the times lose on profitable opportunities with high yields and end up investing in low yield investment opportunities where they are assured that their money is safe. Barber and Odean (1999) is of the view that, the theory explanation of loss and win for share trading confirms a trend observed in most stock markets and the rich. Because such people when cornered with an opportunity with low yields, they buy more shares to cushion against low earnings.

The theory is of significance as it helps explain the scenarios in which an individual should invest their resources to get good returns. To make good returns for an investment, there are risk factors that need to be considered and important decisions be made. It helps individuals overcome the fear to invest in risky opportunities which have good returns.

2.2.3 Life Cycle Saving Theory

This is accredited to Modigliani and his student Brumberg and it states that at a time when people earn less they do not spare anything for the future while others use even the little they have put aside to meet their daily expenses (Modigliani & Brumberg, 1980). Among the population especially in the United States, men and women were observed to have saved their finances differently. Women were observed to have low savings as compared to men. This is as a result of many men being in employment as compared to women. Another fact observed was that, men retire early from their employment so they tend to plan for their days out of the workplaces (Gottschalck, 2008).

It further posits that, an individual's spending and setting out of resources for future use is determined by their age (Modigliani & Ando, 1957).At an early age, most people do not see the need to invest because they do not have families so they can spend all the money they want, they also think to have many years ahead and defer saving for future date. However, majority of the youthful individuals live beyond their means; they incur debts, pay their school fees, and use hire purchase to get accessories from merchandisers and other things to live a good life.

The significance of the study is that it stresses the importance of saving by individual; it shows that good saving behavior depends on an individual's perception about life.

Further, it shows that age and income levels are important factor in aiding one to save so as to invest and also take care of life after retirement. Lastly, the lifecycle will give an understanding to the youthful employees of the law firms to start saving early enough in their life even if they are still single or with no commitments.

2.3 Determinants of Personal Financial Management

This part covers the variables for the study. The dependent variables are derived from financial literacy associated terminologies like; investment decisions, budgeting decisions, retirement decisions and savings decisions which are explained below.

2.3.1 Investment Decisions

This practice relates to keeping a portion of an individual income in equity, debentures, securities or assets that will yield income in the future (Ghatak, 2013).The most approved ways to make a profit or a dividend is through buying shares in the securities market, bonds from government, saving in banks to earn interest, putting money in real estates and starting a business to earn a profit. The reason of putting your money in ventures that will guarantee you an extra income is to expand the avenues in which money comes from. Individuals are encouraged not to rely on one source of income especially those employed who entirely depends on end month salary.

With good financial know, one can take credit from the banks and other financial institutions start a business and supplement their income, (Hieltjes & Petrova, 2013). The biggest mistake that people putting their money in business venture is that they expect automatic profit which is not true. A business goes through a cycle and there are days it will make profits and losses, to understand this, an individual needs the right financial skills to be able to make the right decisions so that the resources do not go to waste. Investment decisions will be measured in form of pay-back period, net-present value and internal rate of return.

2.3.2 Budgeting Decisions

Possessing knowledge on best money management practices is vital in planning for the money and resources that they have. It's critical that when a person gets some money, whether in large amount or in small amount, to allocate them effectively on need basis. This allocation can be done on daily needs like food, social needs like education and medical needs. Other allocation can also be put aside for future use and effectively invested to provide more profits or dividends, (Mitchell, 2011). To make this possible, people need the know how to make simple calculations to project how much profit they can make from an investment, what percentage of the income should be set aside for expenditure and costing for various items to be procured.

Furthermore, good knowledge on managing money by individuals breeds good investment choices for example settling accrued expenses on time, settling credit purchases, setting aside part of the incomes for future needs, improving the financial well-being of oneself and that of the children or immediate family members, Moore (2003).Individuals with such knowledge have an advantage of understanding the best way to prepare for their lives at old age and the financial requirements when their children are in school and other commitments that come with families. Furthermore, such individuals know the important things to do with their cash and spend wisely in line with their budgets. Budget decisions in regard to budgeting will be measured by use of ratio of total cost to total income or total income and operating expense to total expense.

2.3.3 Retirement Decisions

Evans, Orszag and Piggott (2008), states that people who are financially illiterate tend to live hand to mouth or borrowing to cater for their daily needs. They are less concerned about tomorrow and times when they will be old and inactive in the workforce. Some go to an extent of borrowing from banks and other financial institutions to pay other borrowed money. The young generation in particular, uses their income on buying goods and services to keep up with trend in changing fashions.

Greenspan (2002) explored USA pension plan and revealed that, people in the same age group and financial level directly or indirectly influenced what individuals decide to do with their money so as to meet the needs of their future. Some individuals were observed not to be independent on the choices they made but directed by their friends on where to save their money and did so without considering the merits and demerits of their choices. In these set-ups individuals were observed to copy each in their ways of life and some spent their money to have the same social status as their friends even though their income levels were not the same. Retirement decisions assessment will be through (ROA) with focus on employees investments in relations to their earnings after tax.

2.3.4 Saving Decisions

This can be defined as financial practices where individuals forego their current need to spend and set aside part of the money so that they invest in business opportunities or take care of future needs. The life-cycle saving theory predicts that characters take a series of steps that are not in a straight line and there is failure and success in every decision made in their living, (Bengi & Njenje, 2016). At the time when an individual is making good or enough money fail to set aside part of the finances they have for future use when they are still working or still operating their business earning good profits.

Good practices that encourage setting aside of the money that one has for future use has a high significant value to those who make right decisions in financial practices. Money set aside can be used to meet emergencies or be consumed when one retires or when the business is down (Moore & Danna, 2003). Savings decisions will be measured by use of compounded rate of return with focus on interest rate, saving period and applicable exchange rates.

2.3.5 Financial Socialization

It means practice of creating self-awareness in best practices for managing money, best way to behave and take good care in consumption so that they set aside a portion of income and invest in businesses to ensure a continued earning of income (Kim & Garman, 2004). The best practices and behaviours in money management is cognitive in nature and individuals can familiarize themselves through education, training and coaching from friends or family members.

People who are outgoing and seek knowledge have a higher chance of getting best practices in handling their money at home or at the businesses. Through close friends one can learn how to spend and save, however, such an individual should open up about how they use their money so that they can be guided the best way to do so, (Mandell, 2007). As an individual grows to adulthood, much of the knowledge is gained by close associates i.e sisters, brothers, father and mother who guide the individuals on what to buy and good use of money. As they progress, they move to centres of learning where they meet other people from different backgrounds and get a chance to learn money issues from different perspectives, (Chen and Volpe, 2002).

2.3.6 Debt management

This practice in concerned with individual skills on how to borrow and pay back having in mind the accrued amount after charging of interest (Cole, Zia, Abel, Crowley, Pauliac & Postal 2014). Due to economic harsh realities very few can manage to finance all their money needs and those of their families and their dependents. Although its accepted that, individuals have to borrow to survive, they need to have a good control of their borrowing so that they do not over spend and fail to pay back.

The choice on what the amount that an individual can get from friends, family members or banks is not easy to tell, however, caution need to be taken on the amount borrowed and the total to be paid back in addition to interest, (Chen & Volpe, 2002). As a result, individuals find themselves in a difficult situation of deciding what to borrow which calls for the need to consult so as to be prepared mentally before taking any action. No one should be in a hurry on choosing this path when in a financial crisis and should be cautious to ensure that they do not borrow what they do not need or cannot pay back (Chen & Volpe, 2002).

2.3.7 Financial education

Cole et al (2014) states that having a better understanding of financial practices were able to set aside money for their future use, borrowed money with little interest and had general good conduct in all money matters. This observation was made in South Africa and aimed at assessing the consumption levels which is directly related to the amount of money that is used on a daily or monthly basis. The assessment proved that possession of good financial knowledge yields better financial practices.

Cole *et al* (2014) findings have been hailed as useful and adopted by the government of South Africa in developing of measures and practices geared towards making financial institutions give emphasis to financial awareness to individuals before giving them money. This is found necessary to reduce default rates and enhancing improvement of the living standards of individuals leading a shift from profit concentration by financial institutions. The study by Sayinzoga, Bulte and Lensink (2013) investigated the level of understanding in individuals among the population in Rwanda were related to cole et al (2014), and proved that good understanding of financial practices was critical in spending, saving, borrowing and investment.

2.4 Empirical Review

Sabri and Falahati (2013) examined the predictors of financial well-being among Malaysian employees with focus on a sample of 2,246 employees. The study used Cronbach's Alpha to measure the study variables by considering the different factors: under financial well-being they considered, employee's perception on value gained from financial services, means to provide for their daily bread and offsetting all the constitutional remittances they are required to undertake. It was observed that, employees with good financial knowledge make good financial decisions for their current needs and futures needs. Their lives and those of their loved one are much better off than those without good understanding of how to use their finances.

Zakaria and Sabri (2013) conducted a review of financial best practice assessment with bias on prudent use of money, understanding present money use practices, selecting the best financial means and consideration for future expenditure and investment. Study variables were assessed through inferential statistics. It was revealed that underage people have a challenge in making better financial decisions; teenagers especially of the female gender who are single, in relationships or in stable marriages, not well educated and dependent on their parents or spouses performed poorly financially because they have poor financial knowledge.

Githui and Ngare (2014) investigated financial literacy and retirement planning in the informal sector. The study population comprised of 250 participants, however, 232 responded to the study by filling questionnaires that were hand delivered to them. Findings were grouped into; demographic data, retirement arrangements and non-planners then analysed by use of descriptive statistics. The study adopted Pearsons Chi-square tests ascertain the inferences that exist between study objectives and reported that understanding of financial markets issues positively influences retirement planning.

Castro-Gonzalez (2014) investigated effect of financial knowledge and choices made for future spending. The respondents of the study were residents at the University of Puerto-Rico for one year (2012-2013). The target population for the study was 3,133 from which a sample of 300 employees was selected; however, only 146 employees were involved in data collection by use of questionnaires. The findings were analyzed as percentages for the response rate to questionnaires filled and returned successfully. It was established that, a lack of knowledge had an effect on financial and retirement planning.

Njehia (2014) assessed the extent to which knowledge on finances impact the individual financial practices of staff members at the Mumias Sugar Company limited, Kakamega. The main variables of the study were saving practices and social security planning. A descriptive survey design was adopted and collected primary data using questionnaires from 200 participants selected by use of simple random sampling. Data obtained was analyzed using regression analysis. Most of the employees were found to be financially literate and had good financial planning practices.

Kebede, Kaur and Kuar (2015) assessed financial literacy and management of personal finances through a review of recent literature. The study reviewed covering 2010- 2015 from journals, working papers, proceedings and thesis. The studies were classified under four research themes i.e. literacy and its correlates, financial literacy and personal financial management behaviour, financial literacy and financial inclusion and financial management and its outcome. The study found that; financial literacy correlates with socio-demographic variables; gender, age, education attainment, income, living in rural or urban areas, ethnicity and employment status. Lastly, the study identified that individuals with good personal financial management skills have desired financial behaviour.

Refera and Kolech (2015) examined individual's monetary controlling competence among staffs in Jimma town. The study involved a sample of 56 staffs from various firms in Jimma town, a descriptive method was adopted to define the profile of people engaged in the study and the mean score of their individual monetary controls, competence under schooling and job connected variables. Furthermore, parametric and non-parametric bivariate data were engaged to scrutinize the association among individual monetary controls capacity and other variables. The study found that; overall individual monetary competence directory calculated from the survey feedback to the likert-scale questions is below 50%.

Nabianga and Ali (2015) investigated the determinants of investment decision making among employees of Kenya Ferry Services. The study targeted a population of 325 employees; although 97 employees participated in the study. The study assessed investment practices with focus on all the monies that have been put in business for future profits, calculating the differences between the money gained and that put in business instead of being spent, assessing the worthiness of the money at the moment and also by assessing the possible amount of money can be generated when the money is put in good use. Data was mainly secondary collected from journals and company websites for analysis and presentation of findings. The study used multiple regressions, co-efficient of determinants, co-efficient of correlation and ANOVA and established that; income levels and financial advice have a significant and positive impact on investment decisions. The study concluded that; income level, financial advice and investment decision making have a strong positive relationship.

Mwathi, Rubasu and Akuno (2017), sought to establish the extent to which 350 employees of Egerton University understand how to use and plan their finances. The study adopted inferential techniques that include Pearson correlation and regression models to analyse the relationships that occur amongst the research variables. The study reveals that employees at the University have a moderate understanding of the best methods of using and planning their monies. This trend was found to have an effect on all their affairs that were connected with their finances.

Kamakia, Iraya and Mirie (2017) analysed financial literacy and financial well-being of civil servants through a serious evaluation of literature. The study adopted a human behaviour approach and analysed the key variables of the study i.e. financial literacy, financial well-being using prospect theory and the theory of planned behaviour as basis of argument. The study shows that; levels of employee’s financial knowledge have an influence on financial well-being and can be enhanced by increasing their personal financial knowledge. Furthermore, financial decisions were found to be an intervening variable of the relationship between financial literacy and financial well-being while demographic variables moderated it.

2.5 Conceptual Framework

Personal financial management is affected by; income level, age and level of education. An individual with high levels of income, educated and has a family with commitments to fulfill will always make right investments decisions, budgeting plans, retirement plans and save for future expenditure. The figure below highlights a relationship between the study variables.

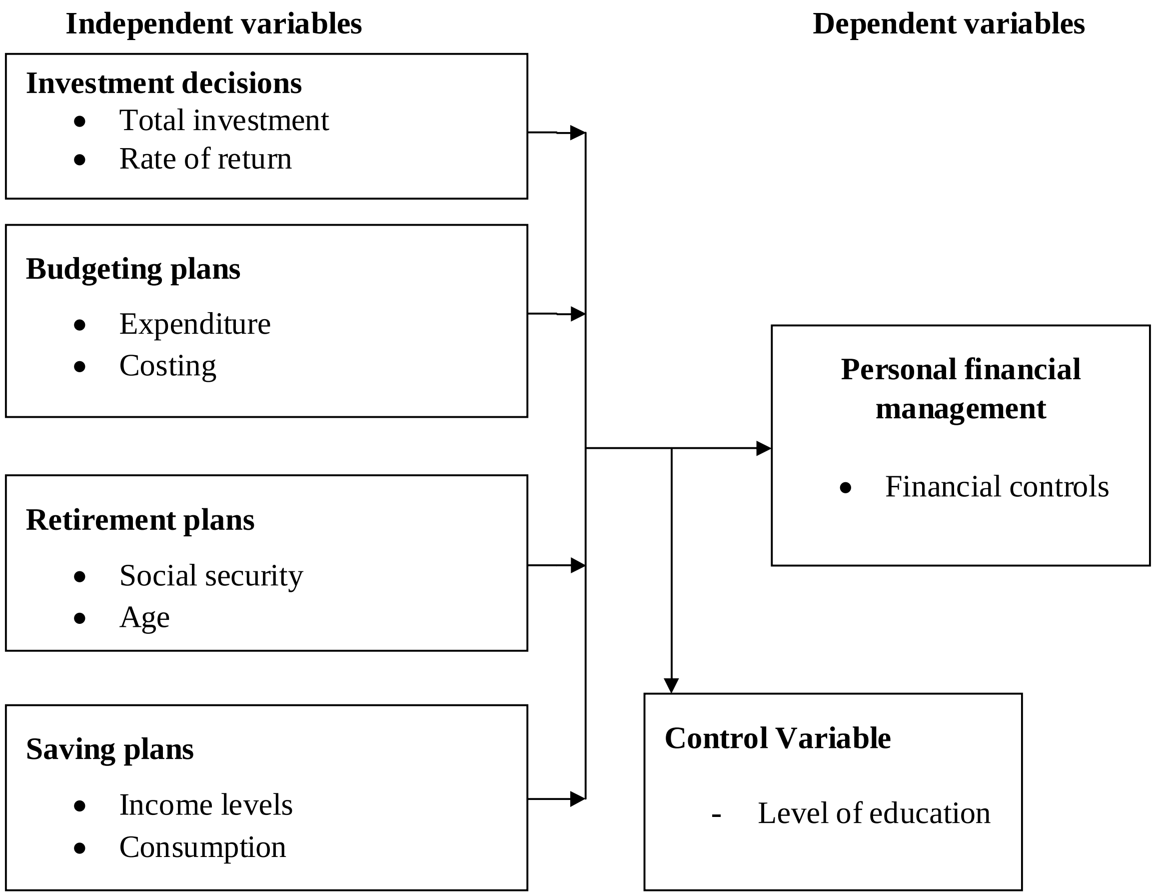

Figure 2.1: Conceptual Framework

Source: Researcher (2018)

2.6 Summary of Literature Review

The literatures reviewed give a comprehensive analysis of the key study variables in different settings like banking, investment, and sugar industry and Miraa trade. The literature is useful because it highlights possible positive, negative or non- existent correlation between the study variables. Lastly, the review is useful in helping understanding what kind of relationships the study is likely to establish.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Chapter three contains the research design, study population, sample, and data tools and processing and presentation.

3.2 Research Design

Kothari (2004) defines it as a design that describes a phenomenon's characteristics of interest by providing factual findings. The study adopted a Descriptive Research Design with an aim of providing a thorough investigation of financial literacy of law firm employees. This design is considered appropriate in this study since it describes what will be happening and the researcher will only report what will be happening as pertains to the study at the law firms.

3.3 Study Population

According to Mugenda and Mugenda (2003) a population is the entire group of individuals, events or objects having common observable characteristics while target population refers to the population to which the research wants to generalize the results to absolute population of the study.

A population is the subject on which the measurement is being taken. It is a unit of study (Cooper & Schindler, 2010). The target population of this study was 66 which represent the number of law firms in Mombasa County as indicated in the law society of Kenya directory 2017.

3.4 Sample and Sampling Technique

The study used a census survey as the population under study is small and can be covered with less time and money. As a result, the entire population of 66 law firms as indicated in the law society of Kenya directory 2017 was be interviewed.

3.5 Data Collection

The research used semi-structured questionnaires which were useful since the participants read and then gave replies to each point and they touched a big sum of topics. First hand data from the employees at the law firms concerning the questions on the area of study was obtained.

Questionnaires were constructed by use of simple language which made it easy for respondents to provide information and were hand delivered for convenience purposes. On the other hand secondary data collection instruments were used. This included documentary analysis from the relevant and already existing information from the accounting department.

3.6 Reliability and Validity

Reliability is an approach of shaping the study's legitimacy, where a high level of dependability indicates that it is replicable. To ensure legitimacy of the research tools, content rationality was established from the pretest and re-test procedure before commencement of the actual research, (Cozby, 1977). The research instruments were pre-tested on 10 questionnaires that were filled by employees outside our target respondents which established validity and reliability.

3.7 Data Analysis

The questionnaire was framed comprehensively enough to ensure that it collected all information required. After collection of the data, the researcher coded the items and edited it for maximum accuracy and precision. Multiple regression was adopted in analyzing the study findings. The output of the findings was expressed in the form of percentages, mean and standard deviation.

The study adopted a multiple linear regression model shown below:

$$Y= \alpha+ \beta_1X_1 + \beta_2 X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Where the:

Y = Personal financial management

α = Constant Term

β_1= Beta Coefficients

X_1= Investment

X_2= Budgeting

X_3= Retirement plans

X_4= Savings

ε= Stochastic error term

3.7.1 Operationalization of study variables

Mwangi (2004) defined operationalization as the process of explicit specification of study variables in a way that is possible to measure. The key variables for this study include; investment, budgeting, retirement plans and savings.

Table 3.1: Operationalization of variables

Symbol	Variable	Measure	Formulae
Y	Personal financial Management	Financial controls	Income and expenditure ratios
X_1	Investment	Annual average return	NPV
		Total investment income	PBP
X_2	Budgeting	Debt management	T.C/T.I
		Payment of bills	
X_3	Retirement plans	Social security	ROA
X_4	Savings	Income allocation and expenditure	Compounded rate of return

Source: Author (2018)

3.7.2 Test of significance

The strength of the model was tested using R^2 and F-Test. The significance test was conducted at 5% confidence level of significance.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter covers the data analysis, results and findings of study findings. It presents the mean, standard deviations, maximum and minimum scores of the study and the regression co-efficient. It gives the relationships that exist between the study variables through regression, Corrineality and ANOVA analysis.

4.2 The Response Rate

The study was done on 50 respondents out of 66 respondents who were handed over the questionnaires. This represents a 75.76% level of response.

Table 4.1: Response Rate

Category	Frequency	Percentage
Female	27	54%
Male	23	46%
Total	50	100%

Source: Researcher (2018)

4.3 Reliability and Validity

Reliability of a measure has two parts, its consistency of the instrument in measuring concept and its stability over time (Sekaran, 1992). Stability of a measure can be measured by the use of test- retest reliability-parallel-form reliability (Sekaran, 1992). Validity refers to the extent at which observed results reflects a true reality. Validity is divided into content reality, criterion- related validity and constructs validity (Sekaran, 1992).

4.3.1 Reliability Testing

The study conducted reliability test to instrument's ability to produce coherent and stable measurements. Testing reliability was done using Cronbach's coefficient alpha (a). Items that have several response options use coefficient alpha during scale development. (i.e.1= strongly disagree to 5= strongly agree). Reliability analysis, SPPS was used to establish the Cronbach's coefficient alpha (a).

Table 4.2: Reliability Results

Scale	Cronbach's Alpha	Decision
Investment decisions	0.831	Accept
Budget decisions	0.881	Accept
Retirement plans	0.731	Accept
Saving plans	0.91	Accept
Personal Financial Management	0.751	Accept

Source: Researcher (2018)

4.3.2 Validity

The validity refers the extent at which observed results reflects a true reality. The questionnaire was simplified in a language that all participants were familiar with. To determine internal validity of a questionnaire, researcher did a pilot test. 10% of participants from the targeted population were selected to fill the questionnaire. The results of the pilot test established that the questionnaire was easy to answer and the questions were well understood by the respondents.

4.4 Descriptive Analysis

In trying to assess the respondent's demographic characteristics the study used gender, level of education and work experience for employees working in law firms in Mombasa County. Results of the findings were tabulated as follows:

4.4.1 Gender

Investigation on relevance of gender on personal financial management of employees in law firms in Mombasa County revealed the results as shown in Table 4.3 below. Female were majority with 54% followed by male with 46%.

Table 4.2: Gender

Category	Frequency	Percentage
Female	27	54%
Male	23	46%
Total	50	100%

Source: Researcher (2018)

4.4.2 Work experience

Investigation on relevance of work experience on personal financial management of employees in law firms in Mombasa County

Table 4.4: Work Experience.

Category	Frequency	Percentages
18-24 years	4	8%
25-34 years	17	34%
35-44 years	21	42%
45-54 years	6	12%
55-64 years	2	4%
Total	**50**	**100%**

Source: Researcher (2018)

Referring to above table, results findings showed that 8 % of respondents were between 18 – 24 years old, 34% were between 25 and 34 years old, 42% were between 35 and 44 years, 12% were between 45 and 54 years old and 4% had 55 and 64 years old. This reveals that majority of respondents were between 35 and 44 years old, implying that majority of the respondents were old enough to know factors affecting personal financial management of employees in law firms in Mombasa County. Results of the findings were tabulated as follows:

4.4.3 Education level

The study sought to investigate relevance of level of education on personal financial management of employees in law firms in Mombasa County. Results were obtained and presented below.

Table 4.5: Education Level

Category	**Frequency**	**Percentages**
KCPE	2	4%
KCSE	6	12%
Certificate	10	20%
Diploma	19	38%
University	13	26%
No formal education	0	0%
Total	**50**	**100%**

Source: Researcher (2018)

The results showed that popular of the respondents had diploma at 38%, followed by university degree with 26%, Certificate with 20%, KCSE with 12%, KCPE with 4% and finally none with any formal education. From the above findings, it reveals that majority of respondents in law firms in Mombasa County are fairly educated. Therefore, it can be deduced that the study participants had a good understanding of the questions asked and provided responses that are relevant to the study.

4.4.4 Investment Decisions

The investigated the effects of investment decision on the personal financial management of employees in law firms in Mombasa County. The respondents were asked using a Likert scale of 1-5, to state the extent to which investment decision affect personal financial management of employees in law firms in Mombasa County in Kenya. The statement on holding a strong cash position is necessary for my survival scored an average of 4.12 and Std-Dev of 1.332. The statement on whether that maximizing tax efficiency in my investment portfolio is essential scored an average of 3.86 and Std-Dev of 1.547. Respondents were further asked on whether if they were satisfied with performance of investment outside of my retirement saving plan. With an average score 4.11 and Std. Dev of 1.521, respondents responded that they were satisfied with performance of investment outside of my retirement saving plan. The statement that a disciplined approach to re-balancing my investment is very important scored an average of 3.928 and a Std-Dev 1.1.639. The statement on whether employee knows what he wants to accomplish financially scored an average of 4.12 and Std-Dev of 1.342. The statement on outlining financial objectives scored an average of 4.11; Std-Devof1.514. The statement on maintaining a list of assets and liabilities scored an average of 4.12 and a Std-Dev of 1.321. The statement that I understand all the benefits that are available to me at the law firm scored an average of 4.92 and Std-Dev 1.411. The statement on satisfaction with saving and investment degree scored an average of 3.71 and Std-Dev 1.215. The statement that I understand all the benefits that are available to me at the law firm scored an average of 3.12 and Std-Dev of 1.414.

Table 4.6: Investment Decision

Statement	N	Mean	Std. Dev
1. Holding a strong cash position is necessary for my survival	50	4.12	1.332
2. I feel that maximizing tax efficiency in my investment portfolio is essential	50	3.86	1.547
3.I am satisfied with performance of investment outside of my retirement saving plan	50	4.11	1.521
4. A disciplined approach to re-balancing my investment is very important	50	3.92	1.639
5.I know what I want to accomplish financially	50	4.12	1.342
6. I have fully outlined my financial objectives on paper	50	4.12	1.514
7. I maintain a current list of my assets and liabilities	50	4.92	1.411
8. I understand all the benefits that are available to me at the law firm	50	3.71	1.215
9. I am satisfied with my present rate of savings and investment accumulation	50	3.71	1.215
10. I understand all the benefits that are available to me at the law firm	50	3.12	1.414

Source: Researcher (2018)

4.4.5 Budget Plans

The study sought to determine the effects of budget plans on personal financial management of employees in law firms in Mombasa County in Kenya. The respondents were asked using a Likert scale of 1-5, to state the extent to which it affect budget plan on personal financial management of employees in law firms in Mombasa County in Kenya. The statement on payment of settling monthly credit scored an average of 4.20 and a Std-Dev of 1.426. The statement on mortgage and hire purchase scored an average of 4.12 and Std-Dev of 1.348. Respondents were further asked on convenience of loans from financial which scored an average of 4.33 and Std-Dev of 1.327. The statement financial objective scored an average of 3.18 and a Std-Dev of 1.114. The statement on maintaining a list of assets and liabilities had an average score of 4.14 and Std-Dev of 1.366. The statement on expected income when incapacitated scored an average of 4.11 and a Std-Dev of 1.514. The statement on government disability benefits scored an average of 4.45 and a Std-Dev of 1.113. The statement that I pay utilities in full and on time scored an average of 4.14 and a Std-Dev of 1.012. The statement that I have taken overdrafts scored an average of 4.91 and a Std-Dev of 1.012. Finally on the statement that I have a daily, weekly or monthly budget that I follow scored an average of 4.87 and a Std-Dev of 1.843.

Table 4.7: Budget Plans

Statement	N	Mean	Std. Dev
1. I pay off the full credit card outstanding amount every month.	50	4.2	1.426
2. I pay my mortgage and hire purchase installments on time every month.	50	4.12	1.348
3. Personal loans offered by financial institutions in the market is convenient tool for me to use, I can borrow for any reason at any point of time.	50	4.33	1.327
4. I have fully outlined my financial objectives on paper.	50	3.18	1.114
5. I maintain a current list of my assets and liabilities.	50	4.14	1.366
6. I know what Income I would need if I were unable to work due to an accident or severe illness.	50	4.11	1.514
7. I fully understand government disability benefits.	50	4.45	1.113
8. I pay utilities in full and on time.	50	4.14	1.012
9. I have taken overdrafts.	50	4.91	1.012
10. I have a daily, weekly or monthly budget that I follow.	50	4.87	1.843

Researcher (2018)

4.4.6 Retirement Plans

The study sort to determine the effects of retirement plans on personal financial management of employee’s in law firms in Mombasa County in Kenya. The respondents were asked using a Likert scale of 1-5, to state the extent to which it affect on retirement plan on personal financial management of employees in law firms in Mombasa County in Kenya. The statement I am a member of NSSF plan that provides adequate pension upon retirement scored an average of 4.15 and a Std-Dev of 1.353. The statement I have determined how much income I expect upon retirement scored an average of 3.96 and Std-Dev of 1.576. Respondents were further asked on whether they maximize their retirement / pension contribution each year, scored an average of 4.08 and Std-Dev of 1.547, respondents responded in agreement on this statement. The statement that I want to help build a vision of my retirement lifestyle scored an average of 4.11 and Std-Dev of 1.443. The statement on whether employee have a will scored an average of 3.73 and Std-Dev of 1.707. The statement that I understand what a trust is scored an average of 4.05 and a Std-Dev of 1.548. The statement on peace of mind in case of death scored an average of 4.84 and a Std-Dev of 1.154. The statement that all of my beneficiary’s / guardian designations are up to date scored an average of 4.00 and a Std-Dev of 1.021. The statement on knowledge of expected income in case of incapacitation scored an average of 3.12 and a Std-Dev of 1.112. Finally on the statement alternative source of income scored an average of 4.94 and a Std-Dev of 1.315.

Table 4.8: Retirement Plans

Statement	N	Mean	Std. Dev
1. I am a member of NSSF plan that provides adequate pension upon retirement	50	4.15	1.353
2. I have determined how much income I expect upon retirement	50	3.96	1.576
3. I maximize my retirement / pension contribution each year	50	4.08	1.547
4. I want to help build a vision of my retirement lifestyle	50	4.11	1.443
5. I have a will	50	3.73	1.707
6. I understand what a trust is	50	4.05	1.548
7. Having estate planning leave me with peace of mind if i were to pass away	50	4.84	1.154
8. All of my beneficiaries / guardian designations are up to date	50	4.00	1.021
9. I know what income I would need if I were unable to work due to an incident or severe illness	50	3.12	1.112
10. I have an alternative source of income in the event of an extended disability	50	4.94	1.315

Researcher (2018)

4.4.7 Saving Plans

The study investigated impact of saving plans on personal financial management of employee's in law firms in Mombasa County in Kenya. The respondents were asked using a Likert scale of 1-5, to state the extent to which it affect of saving plans on personal financial management of employees in law firms in Mombasa County in Kenya. The statement I save for life eventualities scored an average of 4.36 and a Std-Dev 1.630. The statement that I systematically save for life's eventualities in ten years' time or more scored an average of 3.12 and Std-Dev of 1.121. The statement on current saving meeting future needs scored an average of 4.04 and Std-Dev of 1.315. On saving helping to survive when one is disabled it scored an average of 4.83 and a Std-Dev 1.123. The statement on taking advantage of tax relief scored an average of 4.16 and Std-Dev of 1.147. Having an insurance cover scored an average of 3.93 and Std-Dev 1.564. The statement on that I set aside money for savings scored an average of 4.11 and a Std-Dev of 1.364. The statement that I am a member of SACCO and have not defaulted on any loans scored an average of 4.16 and a Std-Dev of 1.482. The statement that my account has a balance scored an average of 4.14 and a Std-Dev 1.311. Finally, on the statement that I understand all the benefits that are available to me at the law firm scored an average of 4.09 and a Std-Dev of 1.315.

Table 4.9: Saving Plans

Statement	N	Mean	Std. Dev
1. Save for life eventualities	**50**	4.36	1.630
2. I systematically save for life's eventualities in ten years' time or more	**50**	3.12	1.121
3. I set aside some money each month for savings	**50**	4.04	1.315
4. My savings are sustainable	**50**	4.83	1.123
5. I utilize the various tax reliefs / rebate that I am entitled to when filling tax return	**50**	4.16	1.147
6. I have enough insurance cover to ensure that if I were to pass away or become sick or be disabled, my family and I would not suffer financially or be financially disabled	**50**	3.93	1.564
7. I set aside some money each month for savings	**50**	4.11	1.364
8. I am a member of SACCO and have not defaulted on any loans	**50**	4.16	1.482
9. My account has a positive balance at the end of the month	**50**	4.14	1.311
10. I understand all the benefits that are available to me at the law firm	**50**	4.09	1.315

Source: Researcher (2018

4.4.8 Personal Financial Management

On personal financial management, respondents were asked questions using a 5 point Likert scale of 1-5, to respond to the following set of questions. The statement I feel confident that the present healthcare system can support my needs in the event of major illness scored an average of 4.32 and Std-Dev 1.318. The statement that I understand the available government death benefits scored an average of 4.16 and Std-Dev of 1.121. The statement on estate executor scored an average of 4.11 and Std-Dev of 1.344. The statement on life insurance scored a mean of 4.16 and a Std-Dev of 1.121. The statement on understanding the differences in insurances offered scored an average of 4.17 and Std-Dev of 1.187. The statement that I manage my own taxes had mean of 4.18 and a standard deviation 1.184. The statement that I spend more in a month than I earn had mean of 4.99 and a standard deviation 1.912. The statement that I use alternative sources of credit (e.g borrow from friends) had mean of 4.18 and a standard deviation 1.341. The statement that I balance my credit / debit account each month scored an average of 4.41 and Std-Dev of 1.356. Finally, on the statement that I have cheques returned because of insufficient funds scored an average of 4.33 and a Std-Dev of 1.491.

Table 4.10: Personal Financial Management

Statement	N	Mean	Std. Dev
1. I feel confident that the present healthcare system can support my needs in the event of major illness.	50	4.32	1.318
2. I understand the available government death benefits.	50	4.16	1.121
3. My executor is familiar with the location of my will and estate plan.	50	4.11	1.344
4. I have only life insurance	50	4.16	1.121
5. I can distinguish the different type of insurance policies offered in the market.	50	4.17	1.187
6. I manage my own taxes.	50	4.18	1.184
7. I spend more in a month than I earn	50	4.99	1.912
8. I use alternative sources of credit (e.g. borrow from friends).	50	4.18	1.341
9. I balance my credit / debit account each month.	50	4.41	1.356
10. I have cheque returned because of insufficient funds.	50	4.33	1.491

Source: Researcher (2018)

4.5 Correlations Analysis

The analysis was done with an aim to show the association that exists between the study variables.

4.5.1 Co-efficient of correlations

The analysis revealed varied association between the study variables as shown in table 4.11 below. It’s evident that; investment decision, budget plans, retirement plans and saving plan on affect personal financial management of employees in law firms in Mombasa County in Kenya. From analysis, findings reveal coefficient of correlation, ‘r’ 0.560, 0.695, 0.695 and 0.645 for investment decision, budget plans, retirement plans and saving plan respectively. This portrays a relatively strong affirmative relationship on the variables. This implies that an improvement in investment decision, budget plans, retirement plans and saving plan will result to effective personal financial management of employees in law firms in Mombasa County in Kenya.

Table 4.11: Correlation

	ID	BP	RP	SP	PFM
ID	1				
Sig. (2-tailed)					
BP	.560**	1			
Sig. (2-tailed)	.000				
RP	.695**	.776**	1		
Sig. (2-tailed)	.000	.000			
SP	.695**	.776**	1.000**	1	
Sig. (2-tailed)	.000	.000	.000		
PFM	.645**	.686**	.524**	.524**	1
Sig. (2-tailed)	.000	.000	.000	.000	

Researcher (2018)

ID-Investment decisions, BP-Budget plans, RP-Retirement plans, SP-Saving plans

4.6 Regression Analysis

This section details the model summary results, the analysis of variance (ANOVA), and presents the model coefficients.

4.6.1 Model Summary

Table 4.12 below shows an overall p-value < 0.005 (5%). It can be interpreted that, the model is fit in explaining the following variables; investment decision, budget plans, retirement plans and saving plan Mombasa law firms in Kenya. The regression model summary indicates the coefficient determination R square as 0.617. R Square can range from 0.000 to 1.000, with 1.000 showing a perfect fit that indicates that each point is on the line. The Durbin-Watson value of 1.953 shows almost lack of autocorrelation between the dependent variables. This implies that all the four variables under this study cannot be ignored. In this case 61.7% is used to show the association identified by the analysis based on variables while the remaining percentage of 38.3% indicate that not all issues under study affect personal financial management.

Table 4.12: Model Summary

Model	R	R-square	Adjusted R Square	Std error of estimate
1	.786a	.617	.605	2.668

Predictors: (Constant), Investment decisions, Budget plans, Retirement plans, saving plans.

4.6.2 Analysis of variance

This was done with an aim to reveal the importance of the model, the value obtained was then compared to a 0.05 which is the standard p-value. Table 4.13 below shows that the regression model had a p-value 0.000< 0.05 hence statistically. The probability value of 0.000 indicates that the regression relationship was significant in determining how investment decision, budget plans, retirement plans and saving plan affect personal financial management on employees in law firms in Mombasa. Since obtained F-value 18.154>F critical value, the model is significant and investment decision, budget plans, retirement plans and saving plan significantly affect personal financial management of employees in law firms in Mombasa County in Kenya.

Table 4.13: Anova

Model	Sum of Squares	df	Mean Square	F	Sig.
1Regression	1056.579	4	264.145	18.154	.000b
Residual	654.754	45	14.550		
Total	1711.333	49			

Reseacher (2018)

A Dependent Variable: Personal Financial Management

Predictors: (Constant), Investment decisions, Budget plans, Retirement plans, saving plans.

4.6.3 Regression Coefficients

This section covers the multiple regression analysis and it encompasses both the independent variable and the dependent variable as shown in table 4.14 below.

Table 4.14: Multiple Regression Analysis Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig
1	(Constant)	4.643	1.399		3.319	.001
	Investment decisions	.271	.108	.301	2.517	.014
	Budget plans	.356	.219	.423	3.112	.000
	Retirement plans	.599	.092	.665	6.498	.000
	Saving plans	.458	.081	.503	5.676	.000

a Dependent Variable: Personal Financial Management.

The general regression Model arrived at was:

$Y= \alpha+ \beta_1X_1 + \beta_2 X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$

The established model for the study was:

$Y=4.643+0.271X_1+0.356X_2+0.599X_3+0.458X_4$

Where: Y= Personal Financial Management, X_1= Investment decisions; X_2= Budget plans, X_3=Retirement plans; X_4= saving plans. The regression equation above has established that taking (Investment decisions, Budget plans, Retirement plans, saving plans), Personal Financial Management in law firms in Mombasa County will be 4.642. The results reveal that, at constant value, a unit change in Investment decisions causes a 0.271 increase in the score of personal financial management in law firms in Mombasa County. Further it was found that a unit change in budget plans causes a 0.356 increase in the scores of personal financial management in law firms in Mombasa County. Additionally, results reveal that a unit change in scores of retirement plans causes a0.599 change on personal financial management in law firms in Mombasa County. The results also reveal that a unit change in saving plans causes a 0.458 change on personal financial management in law firms in Mombasa County. Overall, Retirement plans had the greatest effect on personal financial management in law firms in Mombasa County followed by Saving plans, then budget plans and lastly investment decisions had the least effect on the personal financial management in law firms in Mombasa County. All the variables were significant since their p-values were less than 0.05.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter covers the summary of the findings, conclusions and recommendations based on the objectives of the study. The objectives of the study were to determine the effect of investment decision; retirement plans, savings plan and budget plans on personal financial management of employees in law firms in Mombasa County in Kenya.

5.2 Summary

The research sort to establish the factors affecting personal financial management of employee's in law firms in Mombasa County in Kenya. The study was conducted on 50 out of possible 66 targeted participants. Data was collected through primary mean whereby participants were given a list of questions to fill, personally administered to the respondents through drop and pick method. Questionnaires comprised of 50 items and respondents were employees of law firms in Mombasa County in Kenya. Findings reveal male dominate the law firms, most were between 35 and 44 years old. Also majority were diploma holders with 38%. Retirement plans variable had the highest regression coefficient than the rest of the studied variables and had most effect on the personal financial management in law firms in Mombasa County.

5.2.1 Investment Decision

In the first objective, the study findings established that investment decisions affects personal financial management in Mombasa law firms in Kenya. Study participants indicated a high satisfaction with performance of investment outside their retirement saving plan as demonstrated with a mean score of 4.11. This concurs with Bengi and Njenje (2016) views that, ones people gain understanding on how to manage their income and resources, they to take up investments that will guarantee them of profits and continued income for their future. An r value of 0.560 and regression coefficient of 0.271 demonstrates that investment decision is plays a significant role in encouraging employees on personal financial management in Mombasa law firms.

5.2.2 Budget Plan

The second objectives of the study were to establish the effect of budget plan on personal financial management in Mombasa law firms. The study established that budget plan plays significant role in employees' personal financial management. This is supported by a strong positive correlation of figure 0.695 and regression coefficient of 0.365, between budget plan and personal financial management.

5.2.3 Retirement Plan

Research sort to determine the association of retirement plans to personal financial management in Mombasa law firms. With a mean score of 4.25, the study findings revealed that carrying out effective retirement plan helps personal financial management. This was demonstrated by a mean score of 4.20. The positive correlation between retirement plan and personal financial management showed a correlation figure 0.0695 and regression coefficient figure of 0.0599 demonstrating that retirement plan and personal financial management relationship is essential in improving personal financial management of employees in Mombasa law firms.

5.2.4 Saving Plan

Research sought to determine the association of saving plans to personal financial management of employees in law firms in Mombasa County in Kenya. With a mean score of 4.09 the study findings revealed that carrying out effective savings plan helps in personal financial management. This was demonstrated by a mean score of 4.09.The positive correlation between retirement plan and personal financial management showed by a correlation figure 0.0645 and regression coefficient figure of 0.458 demonstrating that retirement plan and personal financial management relationship is essential in improving personal financial management of employees in Mombasa law firms.

5.3 Conclusion of the Study

Research sought to determine effect of financial literacy on employee's working in law firms in Mombasa County. In this regard, the study examined investment decisions, budget plans, saving plans, and retirement plans as the predictor variables of personal financial management. Five conclusions can be drawn from the preceding analysis in chapter four. The first conclusion, investment decisions are positive and significant determinants of personal financial management ($\beta = .271$, $t=2.517$) holding other factors constant. Secondly, it is concluded that budget decisions positively and significantly influence personal financial management ($\beta = .356$, $t=3.112$), assuming other factors remain constant. The third conclusion is that retirement plans are positively and significantly related to personal financial management assuming other factors remains fixed ($\beta = .599$, $t=6.498$). Fourthly it is concluded that savings plans are also positive and significant variables informing personal financial management ($\beta = .458$, $t=5.676$). Lastly, the overall regression model for prediction of personal financial management was deemed robust F (4, 45) =18.154, $p< .01$, $R^2 = .617$) this implies that the four predictor variables account for 61.7% variability in personal financial management.

5.4 Recommendation of the Study

Financial literacy demonstrates the capacity that rational economic agents have on the optimal decision-making process regarding consumption-savings decisions. In general, there is consensus that individuals lacking the know-how on financial matters are ill equipped to successfully conduct and complete efficient decisions regarding financial issues. Good knowledge for managing one's resources are essential and from the foregoing analysis, the study recommends that individuals should be encouraged to invest their resources in risky opportunities which have good returns. For, investors who are risk averse make the highest profits as compared to those who hold their assets and wait until they are sure of making profits so as to invest. Also youthful employees in the law firms should be implored to start saving early enough in their life even if they are still single or with no commitments.

Policy makers should invest a lot in education which will help to create awareness on how to plan for retirement early enough. Those who have problems with debt, are people with low financial literacy and are unlikely to accumulate wealth and manage it effectively unless they are taught how to plan for retirement.

All employees from both in formal and informal sectors should be encouraged to embrace the idea of budgeting. Budgeting and living within means reduces unnecessary spending. It also allows you to create a spending plan for your money, it ensures that you will always have enough money for the things you need. It also permits you to form a spending plan for your cash that ensures you can always have enough cash for the items you would like. Money ought not be viewed as what is remaining once current desires and needs have been satisfied

5.5 Limitations of the Study

One of the challenges faced by the researcher during data collection was time factor. The primary data collection takes a lot of time. In order for the researcher manages certain demands of the processes effectively he will need to make certain preparations in order to handle different demands. The other challenge faced by the researcher was that some respondents gave out incomplete questionnaire while others completely failed to fill the questionnaires.

The finding of this study and application thereof are limited to law firms only. It is therefore appropriate for the findings to be used only for comparative purposes and not direct application of all sectors.

5.6 Suggestion for Further Research

This study focused on factors affecting financial literacy on personal financial management in Mombasa law firms in Kenya. The analysis, study variables explained only 61.7% as a result the study suggests other studies to focus on other aspects like education to create awareness.

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APPENDIX

APPENDIX1: INTRODUCTION LETTER

Fidelis Omari Abere

UoN Mombasa Campus

P.O. Box 96339-80110

Mombasa.

1st October, 2018

Dear Sir/Madam,

RE: DATA COLLECTION

I wish to appreciate you for your good intention to participate in my study as aforementioned above. Currently I am an MBA candidate at the University of Nairobi majoring in financial studies. I request for your help in providing information for my research which looks at the effect of financial knowledge on personal financial management on employees working in law firms in Mombasa County. Assurance is given on the confidentiality and privacy of the information that you will provide.

Sincerely

Fidelis Omari Abere

APPENDIX 2: QUESTIONNAIRE

Instruction: Please tick (✓) where appropriate or fill in the spaces provided.

SECTION A: DEMOGRAPHIC INFORMATION

i. Please tick your appropriate age group

18-24 years ☐

25- 34 years ☐

35-44 years ☐

45-54 years ☐

55-64 years ☐

ii. Please tick your appropriate gender

Female ☐

Male ☐

iii. Marital status ☐

Married ☐

Single ☐

Separated/divorced ☐

Widowed

iv. Please tick the highest level of Education you attained

KCPE ☐

KCSE ☐

Certificate ☐

Diploma ☐

University Degree ☐

Pick the best choice in the table provided: Strongly Agree = **5**; Agree = **4**; Neutral = **3**; Disagree = **2**; Strongly Disagree = **1**.

Investment decisions

Statement	5	4	3	2	1
1. Holding a strong cash position is necessary for my survival					
2. I feel that maximizing tax efficiency in my investment portfolio is essential					
3. I am satisfied with performance of investment outside of my retirement saving plan					
4. A disciplined approach to re-balancing my investment is very important					
5. What I want to accomplish financially is known					
6. My financial objectives are fully spelled on paper					
7. My list of assets and liabilities(current)is fully maintained					
8. I understand all the benefits that are available to me at the law firm					
9. My current rate of savings and investment accumulation is satisfying					
10. I understand all the benefits that are available to me at the law firm					

Budget Plans.

Statement	**5**	**4**	**3**	**2**	**1**
1. Credit and outstanding amount are fully paid for each month					
2. My hire purchase installments and mortgage are paid for on time monthly					
3. I can borrow for any reason from financial institutions in the market on personal loans as a convenient tool to use					
4. I have fully outlined my financial objectives on paper					
5. Assets and liabilities list if fully maintained					
6. In the event of severe illness or an accident I know the income I will need					
7. I fully understand government disability benefits					
8. I pay utilities in full and on time					
9. I have taken overdrafts					
10. I follow daily, weekly and monthly budget					

Retirement Plans

Statement	5	4	3	2	1
1. I am a member of NSSF plan that provides adequate pension upon retirement					
2. I have determined how much income I expect upon retirement					
3. I maximize my retirement / pension contribution each year					
4. I want to help build a vision of my retirement lifestyle					
5. I have a will					
6. A trust is well understood					
7. In case of death estate planning will leave me with peace of mind.					
8. All of my beneficiaries / guardian designations are up to date					
9. What I need is well spelled out in the event of disability					
10. In the event of extended disability I have an alternative source of income					

Saving Plans

1. Statement	**5**	**4**	**3**	**2**	**1**
2. Save for life eventualities					
3. I systematically save for life's eventualities in ten years' time or more					
4. I save each month					
5. In case of long incapacity my savings will take care of me					
6. I utilize the various tax reliefs / rebate that I am entitled to when filling tax return					
7. I have sufficient insurance cover to ensure that if I were to become sick/disabled or pass away I or my family will not be disabled financially					
8. I set aside some money each month for savings					
9. I am a member of SACCO and have not defaulted on any loans					
10. Each end month my account reflect a positive balance					

Personal Financial Management

Statement	5	4	3	2	1
1. I feel confident that the present healthcare system can support my needs in the event of major illness					
2. I understand the available government death benefits					
3. Location of my will and estate plan is well known by my executor.					
4. I don't have any other insurance other than life insurance i.e. cover for health, personal accident, critical illness, properties etc					
5. Type of insurance policies in the market are distinguishable by myself					
6. I manage my own taxes					
7. I earn less and spend more per month					
8. I use alternative sources of credit (e.g. borrow from friends)					
9. I balance my credit / debit account each month					
10. I have cheques returned because of insufficient funds					