FINANCIAL MANAGEMENT LITERACY AND APPLICATION AMONG UNIVERSITY STUDENTS AS A CONTINGENCY AGAINST UNEMPLOYMENT IN KENYA

(A SURVEY OF UNIVERSITIES IN NAKURU TOWN)

BY

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DECLARATION

This research project is my original work and has not been presented for a degree in any other University or institution of higher learning and this is to the best of my knowledge.

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DEDICATION

I dedicate this work to my dear wife Kate for her support, patience and belief in me and making this course possible.

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ABSTRACT

This study sought to establish the financial management literacy and application among University students as a contingency against unemployment in Kenya. The specific objectives included: to find out the savings literacy level; to determine investment literacy levels and the attitude towards financial management among the university students. The survey was conducted among selected university students in the seven universities in Nakuru Town involving a sample of 384 respondents. The data collected was edited and coded and descriptively analyzed. The analyzed information was presented in form of diagrams, graphs, pie charts, tables and percentages. The study findings are summarized as follows: the level of savings literacy and practice among university students was generally moderate compared to observed high levels of expenditure literacy and practice; a significant proportion of respondents lacked reliable information knowledge on critical aspects such as the rate of returns on various investments and rate of fluctuations on various investments/assets. A sizeable section of the respondents felt that their financial situation was out of control and as a consequence they sought financial advice mostly from financial experts/advisor/consultant/manager/specialist, friends, relatives and family members/spouse/siblings. Finally, despite overall level of attitude towards financial management being generally high, the overall financial management literacy among university students was generally moderate. It is therefore imperative to address the observed mismatch by reinforcing saving culture; the need to provide reliable and timely information on various investment options especially rate of returns and rate of fluctuations on various investments/assets and effective awareness and education campaigns among the university students to improve their financial management literacy.

Keywords: *Financial management, University students, saving Literacy, Investment literacy, Attitudes, Unemployment.*

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LIST OF ABBREVIATION

MOYAS: Ministry of youth affairs and sports.

OECD: Organization for economic co-operation and development.

ILO: International labour organization

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Policymakers in both developed and developing countries are increasingly recognizing the importance of financial literacy and of investing resources in financial education programs (Gallery, Newton and Palm, 2010). Comprehensive national initiatives and programs funded by the World Bank and other donors have sprung up around the world. Given the corresponding increase in the volume of research on the financial literacy and financial education, there is no better time to take stock of the evidence than now.

The term financial literacy can encompass concepts ranging from financial awareness and knowledge, including of financial products, institutions, and concepts; financial skills, such as the ability to calculate compound interest payments; and financial capability more generally, in terms of money management and financial planning (Remund, 2010). In practice, however, these notions frequently overlap. They may also have different implications depending on the income level of the country. In high-income countries, for instance, financial literacy is often viewed as a complement to consumer protection. One of the primary goals of financial literacy is therefore to equip individuals with the capability to navigate a complex array of financial products, including pensions and mortgages, and to make sound financial decisions. The importance of doing so has been further underscored in recent years by the financial crisis and the continued shifting of retirement planning responsibilities from the public sector to individuals (Worthington, 2006).

In low-income countries, however, financial outreach is much more limited, and more sophisticated consumer products are typically accessible only to a small percentage of the population. The role of financial literacy in increasing access to and take-up of financial services therefore receives more focus. Another important distinction is that people in low-income countries rely to a much greater extent on microenterprise for their livelihood. Acquiring managerial capital, or business skills and knowledge, is thus a more relevant component of financial capability than for the typical wage-earning worker in a developed country. World economies will not be easily swayed or affected by the various world financial crises if the public understands the financial system, short of which may cause many people to experience financial losses, as matters of spending and consumption are likely to be extravagant, the use of credit cards that is not wise leading to excessive debts which translates into financial distress. In addition to Worthington (2006), an understanding of banking and money market institutions, the public's understanding of capital markets right now is still not evenly distributed and there are still many who do not understand how to invest in the stock market.

The concept of financial literacy dates to the early 1900 at the advent of consumer education research initiatives in the United States of America (Jelly, cited in Remund, 2010). A number of financial literacy definitions exist in the literature. By the most basic definition the term, financial literacy refers to the ability of an individual to make informed judgments and decisions regarding the use and management of money (Australian Securities and Investments Commission, 2003; Noctor, Stoney and Stradling, 1992). According to financial literacy can be defined broadly or narrowly. A broad definition of financial literacy adopts an ‘understanding of economics’ and how economic conditions and circumstances affect household decisions. A narrow definition of financial literacy focuses on basic money management tools such as budgeting, saving, investing and insurance according to Gallery, Newton and Palm (2010).

Schagen and Lines (1996) argue that a financial-literate person would demonstrate four critical abilities; an understanding of key concepts central to money management, a working knowledge of financial institutions, systems and services, a range of specific and general skills (analytical and synthetically), and attitudes which allow effective and responsible management of financial affairs.

The key competencies of financial literacy: money basics, budgeting, saving and planning, borrowing and debt literacy, financial products, and recourse and self-help. Money basics relates to the knowledge, skills and understanding required for the most essential day to day calculations. Examples include numeracy and money management skills. Numeracy is the skill which allows people to assess the suitability of expenses for themselves. Numeracy is the foundation of considering which financial products are cost effective. Also numeracy has been found to play an important role in influencing saving and even budgeting. Higher numeracy has been linked with higher levels of household wealth and good financial decisions while poor numeracy has been linked with unnecessary expenses van Rooij, Lusardi and Alessie, (2007)

Money management skills are influenced by three important factors; financial control, making ends meet and approaches to financial management. Financial control relates to budgeting, keeping records and knowledge of daily living costs and the ability to pay. Making ends meet refers to a person's ability to predict times when finances may be low, and to remedy that situation. This also includes assessing the ability to maintain spending and keep up with commitments. Approaches to financial management relates to impulsiveness during spending, using credit instead of cash and general spending patterns that result in using more money than is available. Budgeting and living within means involves keeping track of finances and reducing unnecessary spending. Saving and planning means provision for an emergency through savings and insurance held; attitudes to financial planning; saving and planning for retirement; and saving and planning for expected expenses Kempson, (2009).

Borrowing and debt literacy is the ability to understand debt, and the processes involved to avoid it, reduce it, repay it and maintain a good credit rating. It relates to competence in using loans, and responses to debt including the ability to determine whether credit is justified and the inclination to repay credit card debt and bills when they are due. Debt illiteracy is therefore related with over indebtedness, and an inability to reduce existing levels of debt. Understanding financial products is the ability to make capable choices among financial products such as shares, managed funds, savings accounts, personal loans and mortgages, superannuation and insurance. Competence in key concepts relating to financial product features such as interest, compound interest, simple interest, inflation, risk and return is required for making an informed and confident decision about those products.

High unemployment remains one of the greatest challenges to Africa's development, International labour organization (2008) and hence a major concern to policy makers and other stakeholders in Africa. Although many policies, programmes and projects have been directed at the problem in sub-Sahara Africa, unemployment and under-employment continue to be major obstacles to full utilization of human resources. In Kenya, at independence in 1963, the government identified poverty and unemployment as major problems facing Kenyans (Republic of Kenya, 1965). Forty nine years later, and despite numerous policy efforts, poverty continues to afflict many Kenyans, and millions are unemployed, underemployed or are “working poor.” A recent study (Pollin et al., 2007) under a UNDP project shows that in 2005/2006, a large number of individuals who are working could be categorized as working poor because their labour earnings were below the poverty line

White and Kenyon (2000) observe that youth unemployment is a growing and perennial problem in many countries, including industrial or OECD countries. They note that the increasing internationalization of labor markets and flexibility of labor relations, with the traditional cycle of school-to-work-to-retirement giving way to more varied patterns of employment provide a new context for this problem. In consequence, a sizeable proportion of young women and men have become detached or alienated from the economic mainstream. This is a view supported by other analysts (OECD, 2001; Curtain, 2000; ILO, 2000; Mhone, *et al*., 1999)

Data from the annual Economic Surveys show that formal sector employment growth has been sluggish. It rose by 1.2 per cent between 1998 and 2001. The estimated increase for 2002, 2003, 2004, 2005, 2006, and 2007 are 2.2 per cent, 2.6 per cent, 3.6 per cent, 2.5 per cent, 2.8 per cent and 2.6 per cent, respectively. Public sector employment declined by 7.4 per cent from 1998 to 2002 due to public sector reforms but recorded marginal growth of 0.3 per cent between 2002 and 2004. On the other hand, informal sector employment increased by 10 per cent between 1998 and 2002 and 6.4 per cent between 2002 and 2005. This was attributed to shrinking growth in both formal public and private sector employment. 60% of the Kenyan population is under the age of 35 and an estimated 67% of unemployed Kenyans are youth with the overall unemployment rate at 40% in the year 2011.

The problem of youth unemployment in developing countries and economies in transition is more serious than in developed countries. It is difficult to provide accurate statistics on youth unemployment in these countries, as available estimates of unemployment face the conceptual and design limitations imposed by definitional and measurement problems of employment and youth. Nonetheless, existing estimates indicate that the problem of youth unemployment is considerable higher than the national average. Available estimates indicate that, while overall unemployment affects between 15 to 20 percent of the work force, the rate of unemployment among young people is as high as 75 percent in some countries. A combination of factors, including stagnating public and private sectors, explain the high rate of youth unemployment in developing countries. The employment difficulties facing youth in both developed and developing countries have negative consequences not just for the affected young people but for society as a whole. As the OECD report (2001) notes, persistent youth unemployment wastes human resources that could contribute to economic progress in the short-run, produces widespread unhappiness (of which rising suicide rates are a symptom) and social discontent among the youth, and may leave long-term scars on the working adults of the next generation. In extreme cases, alienated youth, especially if they are many, can cause social disruption in society, as in the case of Sierra Leone, Liberia and other war-torn countries (Curtain, 2000; Abdullah, 1998; Mkandawire, 1996)

It is widely accepted that there are many good reasons to promote entrepreneurship among young people. An obvious, and perhaps significant one, is that it creates employment for the young person who owns the business. Many experts believe that this could bring back the alienated and marginalized youth into the economic mainstream (Curtain, 2000; White and Kenyon, 2000). There may also be a direct effect on employment if new young entrepreneurs hire fellow youths. (Curtain,2000). In this way, entrepreneurship could help address some of the socio-psychological problems and delinquency that arise from joblessness.

The Ministry of Youth Affairs & Sports (MOYAS) in Kenya has a vision of creating a youth that is responsible and empowered to build a better Kenya. The ministry has initiated youth development programs that are geared towards increasing their participation in the economy through increasing job creation and self-employment, MOYAS (2010). It is in line with this that a great interest and involvement of Kenyans in business and entrepreneurial activities has been on rise recently. Kenyans are no longer content to be employed but are taking the challenge to be self-employed. New businesses have emerged. The sectors where most people have opened new business include textiles, dairy farming, poultry farming, mobile phone accessories, M-pesa services, and mini-supermarkets, among others. Some businesses in these sectors once opened do not stay in operation for long. This means that the businesses are unable to be profitable on the long run. Lack of financial management literacy could be the reason for this phenomenon to occur.

1.2 Statement of the Problem

In Kenya, self-employment is viewed as one way of creating employment for the youth. Approximately 500,000 graduates from various tertiary academic institutions enter the job market annually. However, due to low economic growth, rampant corruption, nepotism and demand for experience by potential employees, a majority of youth remains unemployed (National youth policy,2002).

The solution to the culture of over reliance on finding formal employment which is proving hard to get is to start saving and investing money while still in college. This will offer the students a cushion against financial shocks and will go a long way into providing the startup capital for the entrepreneurial activities which is fast becoming an alternative mode of employment. Studies in the United States and other countries indicate that college students had plenty to spend but tended to be impulse consumers (Danes, Huddleston and Boyce, 1999) .University students have various sources of funds from parents or guardians and relatives and loans from the higher education loans board, which is sufficient to take care of fees, maintenance and still remain to save and ultimately invest. This has been evidenced by a study conducted by Youth Dynamix East Africa on the youth spending where they found that Kenyan youth consume airtime worth Ksh. 23.6 billion while spending some Ksh. 64 billion annually on clothes and other accessories and over Ksh. 65 billion on entertainment and outings annually.

However, students do not have a culture of saving and investment and the belief is that these can come later after formal employment has been gained and income starts flowing in. Students need to appreciate the basics of investment which will help in understanding the importance of planning for the financial future. The majority of college graduates start their first months in the job market with low amounts of cash, no savings, and debts (and this doesn't even include school loans). This is a growing, widespread problem for freshly graduated college students. It is especially difficult during economic slowdowns when recent graduates' finding a job is difficult.

This study thus sought to bridge the knowledge gap by establishing the financial management literacy levels of university students and application as a contingency against unemployment in Kenya.

1.3 Objectives

The main objective was to find out the financial management literacy levels and application among university students. Specific objectives included:

i. To determine the saving literacy and practices among University students.
ii. To determine the investment literacy and practices among University students.
iii. To determine the attitude of the university students towards financial management.

1.4 Research Questions

i. What is the level of saving literacy and practices among the university students?
ii. What is the level of investment literacy and practices among the university students?
iii. What is the attitude of the university students towards financial management?

1.5 Significance of the Study

The Ministry of Youth Affairs and Sports (MOYAS) in Kenya has a vision of creating a youth that is responsible and empowered to build a better Kenya. In order for this to be successful, the youth must have keen sense of business, while developing proper saving and investment techniques. This study will provide information on the financial management literacy of students. It will also assist other researchers keen on understanding the factors that influence saving and investment patterns among university students.

1.6 scope of the study

The study was conducted in all the seven Universities with presence in Nakuru town and targeted students studying in these universities. A sample of 384 students was selected to fill in questionnaires. The study attempted to determine the students’ literacy on saving and investment and the attitude towards financial management among the university students.

1.7 Limitations of the Study

The sensitive nature of the information collected was a limitation. In this study, I examined personal financial management. Some participants may have been reluctant to respond candidly and the results may have been affected by this limitation. Despite the limitation, this study addressed a significant gap in the literature. The project provided data about the financial management practices, attitudes and knowledge among college students.

1.8 Assumptions of the Study

The following assumptions are made about the study:

i. The target students have income inform of student loans, either from work or from family sources that they can be able to save and invest.
ii. The students were willing to participate in the study and give truthful answers.

1.9 Operational Definition of Terms

Investment: In finance, the purchase of a financial product or other tem of value with an expectation of favorable future returns. In general terms, investment means the use money in the hope of making more money. In the context, the purchase by a producer of a physical good, such as durable equipment or inventory, in the hope of improving future business.

Saving: This is generally taken to be the difference between disposable income and consumption.

Savings: This term is used by analysts to refer to the stock of accumulated wealth

Financial Management: The management of finances of a business or organization in order to achieve financial objectives. The key elements of financial management are; financial planning, financial control, and financial decision making. For the purposes of this study financial management will focus on personal saving and investment to achieve financial objectives.

Literacy: Has been described as the ability to read for knowledge and write coherently and think critically about the written word. Literacy can also include the ability to understand all forms of communication, be it body language, pictures, video or sound (reading, speaking, listening and viewing)

Unemployment (or joblessness), as defined by the International Labour Organization, occurs when people are without jobs and they have actively sought work within the past four weeks.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Financial literacy has been defined as the competence to undertake rational, informed judgments pertaining to money management (Worthington, 2006). This includes the general understanding on budgeting, conceptual knowledge of financial products offerings by financial institutions and ability to make responsible investments to facilitate the achievement of one's financial goal (Macy, 2001; cited in Worthington, 2006). Not many studies have investigated awareness of youths in financial products/services probably due to infrequent timing of the purchases and complexity in streamlining product offerings by financial institutions. The high value, low frequency nature of transactions leaves little room for experiential learning (Llewellyn, 2005). Furthermore, there is complexity in calculations of returns, inability of guarantees/warranties and lack of transparency of information. Trust, confidence and financial awareness become essential elements in determining the extent of risk and returns to be undertaken

2.2 Theoretical Review

The global financial marketplace is experiencing a gradual transition as Generation X and Y succeed Baby Boomers as consumers and managers. The desire for a better quality of lifestyle, freedom and flexibility is gradually replacing core values of hard work and security in lifetime employment, (Schiff man and Kanuk, 2007). Consumption motivations, perceptions towards risk and value of money are also gradually changing. College and undergraduate students have been found to have higher self-esteem, greater willingness to take on risk, often driven by instant gratification to enjoy life and maintain a trendy social image (Her big and Borstorff, 1995). They are also comparatively highly educated, more talented and technologically savvy than Baby Boomers. High self-esteem and expectations fuel their strong desire to succeed (Herbig et al, 1995). In many cases, their protective upbringing has contributed to their inability to make decisions (Herbig et al, 1995). A worrying trend is the lack of financial awareness of financial planning concepts and products amongst today's youths.

Everyone has to manage his or her personal finance in one way or another. Some tend to save a lot, some like to collect information before each purchase, some like to follow their gut feelings. Students as private investors are not a homogeneous group but rather individuals with various financial practices combined with different levels of experience, anxiety and interest in financial matters, (Gunnarsson & Wahlund, 1997). In an increasingly competitive marketplace, financial institutions need to emphasize customer relationships and the retention of existing customers that require an in-depth understanding of their attitudes and behaviors, (Harrison & Ansell, 2002). The heterogeneous market is divided into smaller more homogeneous groups to meet specific needs with a corresponding business model, (Jenkins and McDonald, 1997). Market segmentation relies, in the financial industry, largely on socio-demographic information to define segments for specific services (Harrison, 2000)

2.2.1 Decision-Making Process

Individuals research and interpret information by adopting a range of economic, passive, cognitive and emotional process models (Schiffman and Kanuk, 2007). The economic perspective assumes the individual as a rational utility maximizing agent equipped with all available information product/services alternatives and knowledge required to make the right choices. In reality, individuals are seldom having perfect knowledge. Behavioral economics also recognizes that individuals are not always rational and emotions can affect decision making (Ariely, 2008). In the financial planning context, the lack of rational economic judgment may lead to excessive debt, high risk investing and/or inadequate savings for retirement. In contrast, the passive perspective suggests that individuals/consumers are generally impulsive and thus easily lured by marketing gimmicks. Consumers may also be driven by moods and feelings (emotional perspective) in their pre-purchase behavior. As such, the lack of financial awareness may be a cause for college students to be lured by marketing agendas of credit card companies (Hoffman , 2008).

Finally, the cognitive perspective assumes that the individual/consumer actively researches information before making their purchases. In practice, the vast amount of diverse and complex financial information may lead to ‘‘analysis by paralysis’’ (Harrison et al., 2006). Many individuals may lose motivation and develop an indifference towards financial literacy. Instead, they resort to less stringent rules based on perceived trustworthiness and brand heuristics of financial institutions which do not necessarily lead to rational decisions, (Rotfeld, 2008). The challenge therein lies in removing these perceptual biases associated with the complexity in financial planning and motivating students by linking the relevance of courses to the pursuance of personal wealth goals, (Mandell and Klein,2007).

2.2.2 Motivation theories

Motivation drives individual action towards achieving unfulfilled needs (Schiffman et al, 2007). Expectancy theory posits that individual are driven to act based on the value, instrumentality and valence placed on a desired outcome (Robbins and Coulter,1999,). In line with this, goal setting theory suggests that individuals establish certain generic and specific objectives in life and intrinsically rank them based on personal values (Mandell et al, 2007). Within the context of financial literacy, the expectation of achieving returns on investments to secure the goal of future financial freedom and/or retirement security acts as attractive motivation towards pursuing financial literacy programs. Conversely, indifference towards personal finance renders financial education efforts ineffective (Mandell et al, 2007).

2.2.3 Involvement theories

Involvement theory suggests that an individual's engagement with learning depends on his/her hemispheric brain dominance (Schiffman and Kanuk,2007). Right brain processing generally leads to passive learning that is influenced by classical conditioning of visual images of branding. On the other hand, left brain processing of information sourced from print and interactive media leads to higher individual involvement. Left-brain activities include cognitive learning based on logical sequences and familiarity with technical aspects of information. The intangibility of financial products and services make decisions to invest a function of trust, confidence and rationality involving whole-brain processing to extract personal relevance. Involvement and perception of risk is linked to the individual's motivation to realize intended goal(s) (Aldlaigan & Buttle, 2001). The higher the financial awareness gained through information searches, questioning and critical evaluation the lower his/her perception of negative consequences or losses in investment (Dholakia, 2001).

Beckett et al. (2000) described financial service consumer under the repeat-passive, rational-active, relational-dependent and no purchase categories. Repeat-passive individuals are characterized by high confidence but low involvement towards the financial product/service. Repeated purchase and brand loyalty towards the product/service mitigates their perceptions of uncertainty. Repeat-passive behavior is common where there is little differentiation between financial providers or when high switching costs are perceived. On the other hand, rational-active individuals are high in involvement and confidence. Individuals are financially aware to exercise a degree of control over financial decisions. Rational-active individuals are willing to take actively seek investments with higher than normal returns and. They are less reliant on face-to-face relationships but on impersonal sources such as print media, books and mass media to assess the credibility of the product offerings (Mattila & Wirtz, 2002). Price is often used as a proxy for quality, for instance in life insurance (Estelami, 2008). Decisions on credit card, stocks and bonds have been found to rely on more impersonal, direct marketing channels (Lee, 2002).

2.2.4 Investment Literacy of University Students

Volpe, Chen and Pavlicko (1996) researched the personal investment knowledge, their study focused exclusively on the investment subcategory of financial literacy. Participants had to score a 70% or higher on the survey to be viewed as knowledgeable. Results showed that illiteracy is spread across a broad range of topics on personal investment. Results revealed that the personal investment knowledge of the university students was inadequate with participants having an average score of 44. Male participants performed better than the females with a chi-squared result of 5.31 at a 0.05significance level. As the researchers expected, business majors had higher level of personal investment knowledge than non-business majors. It must be noted however, that that 70% of the participants were business majors. The researchers went further and compared the results of finance and accounting majors with those of marketing and management majors. They found that finance and accounting majors had a higher level of personal investment knowledge. The researchers found that students who had prior experience investing in stocks, bonds or mutual funds showed no difference in their personal investment knowledge than students without prior experience. The researchers stated that inadequate knowledge of personal investment cuts across the entire student body with women and non-business majors earning the lowest scores.

2.2.5 Attitudes toward Financial Management among College Students

When funding higher education, many people including students are comfortable with borrowing money. Although reluctant at first, student's affectivity toward loans as a means of funding education grows out of necessity (Bell, S. Grayson, J. P. & Stowe, S, 2001). With no other option, college students view the accumulation of debt as a reasonable trade-off for higher education.

Some critics worry that college students have developed a complacent attitude toward debt accumulation. College students' attitudes toward debt have been attributed to a changing culture that cultivates a lax attitude about borrowing money. First, their current financial milieu encourages the financing of education through debt accumulation. Second, college students develop an expectation that loan forgiveness can be obtained easily. Finally, the lack of financial understanding among young adults perpetuates a failure to recognize the long-term consequences of delinquent debt (Cleaver, J .Y, 2002).

These attitudes toward debt are important because of their link to behaviour. A somewhat obvious connection can be drawn that as the willingness to borrow money to fund education increases, the tendency to borrow money in general increases (Bell et al., 2001). They found a similar relationship for those with a positive attitude toward debt in general. In other words, those students who view educational debt in a positive manner tend to accrue more debt over time

The reverse is also true in many of these relationships. Those college students with large debt and high expenditures are typically more tolerant of debt and worry less about their bank account (Davies & Lea, 1995). All of these findings concerning willingness to borrow, size of debt and tolerance of debt demonstrate the cyclical nature of the financial mismanagement among college students. Those with positive attitudes toward debt tend to incur more debt; in turn those who incur more debt develop greater tolerance to debt. As a result, today's college students spiral further into debt than any generation before them.

2.2.6 Challenges of Youth Employment in Kenya

The challenges of youth employment in Kenya are varied. With about 73 per cent of the population being under 30 years of age, the population of youth was estimated to be 14 million by 2008 and is expected to reach 16 million by 2012.The youth constitute more than 67 per cent of the unemployed in Kenya. The high unemployment rate amongst the youth has variously been attributed to low absorptive capacity of the economy, weak implementation and coordination of youth targeted employment interventions, lack of appropriate skills, and job selectiveness. Kenya's youth are faced with several employment challenges. These include conceived as a complex function of lack of employability, limited employment creation or absorptive capacity of the economy, weak entrepreneurship culture and unequal opportunities (Ministry of Labour, 2012).

One of the key challenges facing the Kenyan youth is lack of necessary education, relevant training and the knowledge and skills required to enhance their absorption into the labour market. At the same time, there are too many unproductive and precarious jobs offering poor terms and conditions of employment. There are many complex structural and frictional constraints related with lack of employability. Most employers, for example, insist on looking for "experienced workers" while the youth, expectedly, lack the required work experience. While majority of employers in both private and public sectors of the economy put past experiences a minimum qualification requirement for certain jobs, Kenya lacks a framework for industrial attachment and an apprenticeship system to enable trainees acquire practical skills necessary for the world of work. Consequently, new labour force entrants lack the required practical experience to undertake assigned tasks, calling re-training with attendant incremental costs. The lack of practical skills by majority of the youthful job seekers aggravates the unemployment situation by adding to the pool of 'educated' unemployed (Ministry of Labour, 2012)

2.2.7 The Importance of Financial Management Literacy

There are several reasons justifying the implementation of well-designed financial education initiatives in Africa, including the need for higher financial inclusion and appropriate use of

financial products, as well as the need both to better manage personal /household resources, and to start and develop entrepreneurial activities.
First, financial literacy can help to reduce the demand-side barriers to financial inclusion. Improved financial literacy can increase awareness about products and services, as well as confidence and ability in using them. In turn, this can help to promote the demand for formal financial products and services. To be effectively included in financial markets, consumers need not only to have access to safe and regulated financial products, but also to be aware of their existence, understand their terms and conditions, and be able to compare products so as to choose the most appropriate to their needs.

Moreover, consumers' lack of knowledge and experience with financial issues may put them in a disadvantaged position with respect to banks, microfinance institutions, and informal lenders, thus increasing the probability that they fall victim to fraud or abuse. In this respect, financial education can also foster effective financial inclusion by making consumers aware of their rights, so that they can better avoid scams and abuse from unscrupulous financial sector providers. (Messy and Monticone, 2012).

Second, financial education can empower consumers to better manage their personal and household resources, both on a day-to-day basis and over a long-term horizon. Given the little money available to poor households, it is important that they are able to budget and plan short-term expenses, avoiding borrowing to make ends meet and unnecessary spending. Moreover, as poor consumers often rely on highly uncertain income sources from the informal sector, they need to be able to plan and save in order to smooth their income fluctuations and to deal with unexpected personal or family expenses without falling into over indebtedness.

Third, financial education is also relevant for the small-scale entrepreneurial activities that often constitute an important source of revenues for poor households. Due to the relative scarcity of formal jobs, many individuals become own account workers, with sometimes a blurred distinction between personal and business finances. Greater financial literacy can empower vulnerable individuals to successfully manage and develop small-scale or micro-enterprises, improving their management skills and the appropriate use of financial products for their businesses (Messy and Monticone, 2012).

Furthermore, improved financial literacy can potentially strengthen the efficiency of financial markets. Consumers who are better informed about financial risks and opportunities, and who are more aware of their own rights and responsibilities in relation to financial institutions can contribute to developing better functioning financial markets (alongside appropriate regulation and consumer protection). Moreover, by fostering long-term saving, financial education can promote the development of formal financial markets and infrastructure, ensuring that the financial sector makes an effective contribution to real economic growth (Messy and Monticone, 2012).

2.3 Empirical Review

There has been a rising interest in the financial literacy from academic community, international organizations and governments recently (Olga, 2011). Most of the recent studies have concentrated on the financial planning of university students because empirical evidences have demonstrated that most of them fail to plan their expenditure and unexpectedly experience financial problems. University students report having high debt, serious credit card usage, and high stress, as well as low financial satisfaction due to the lack of financial management skills (Nellie, 2002); Norvilitis et al., 2006).

Young adults may be unprepared to effectively manage the psychological costs associated with financial problems such as increased levels of stress and decreased levels of well-being ,(Norvilitis & Santa, 2002); Roberts & Jones, (2001). However, it is generally accepted among researchers that, financial education is the key to decrease financial problems, especially among young adults. In psychology and education, learning is commonly defined as a process that brings together cognitive, emotional, and environmental influences and experiences for acquiring, enhancing, or making changes in one's knowledge, skills, values, and world views (Illeris, 2004).

The level of knowledge in any subject, including financial knowledge, can therefore be connected to variables, such as: Age, gender, level and programme of study, parents’ level of education, accessibility to media, sources of education on money matters, place of residence, among others. There is considerable evidence that people who studied economics or business courses are more likely to be financially knowledgeable. This argument was supported by research of (Lusardi and Mitchell, 2007) and Chen and Volpe, 2002). The findings of (Chen et al .2002) indicate that, in terms of participants work experience and ages, participants with more years of work experience are more knowledgeable than those with less experience. According to Agarwal et al. 2009, an increase in age also comes with the accumulation of knowledge based on practical life experiences. The initial rise with age might be interpreted as an increase in experience, while the subsequent decline could be the result of deteriorating cognitive functions.

2.4 Conceptual Framework

According to (Norman, 2010) financial education refers to knowledge or an understanding on the importance of money and the use of money, it answers the question, why spend on this as opposed to that. It can literally be summed up as the wise use of money. Financial literacy is the ability to understand finance. More specifically, it refers to the set of skills and knowledge that allow an individual to make informed and effective decisions through their understanding of finances. Below are variables summarized in a conceptual framework. They include:

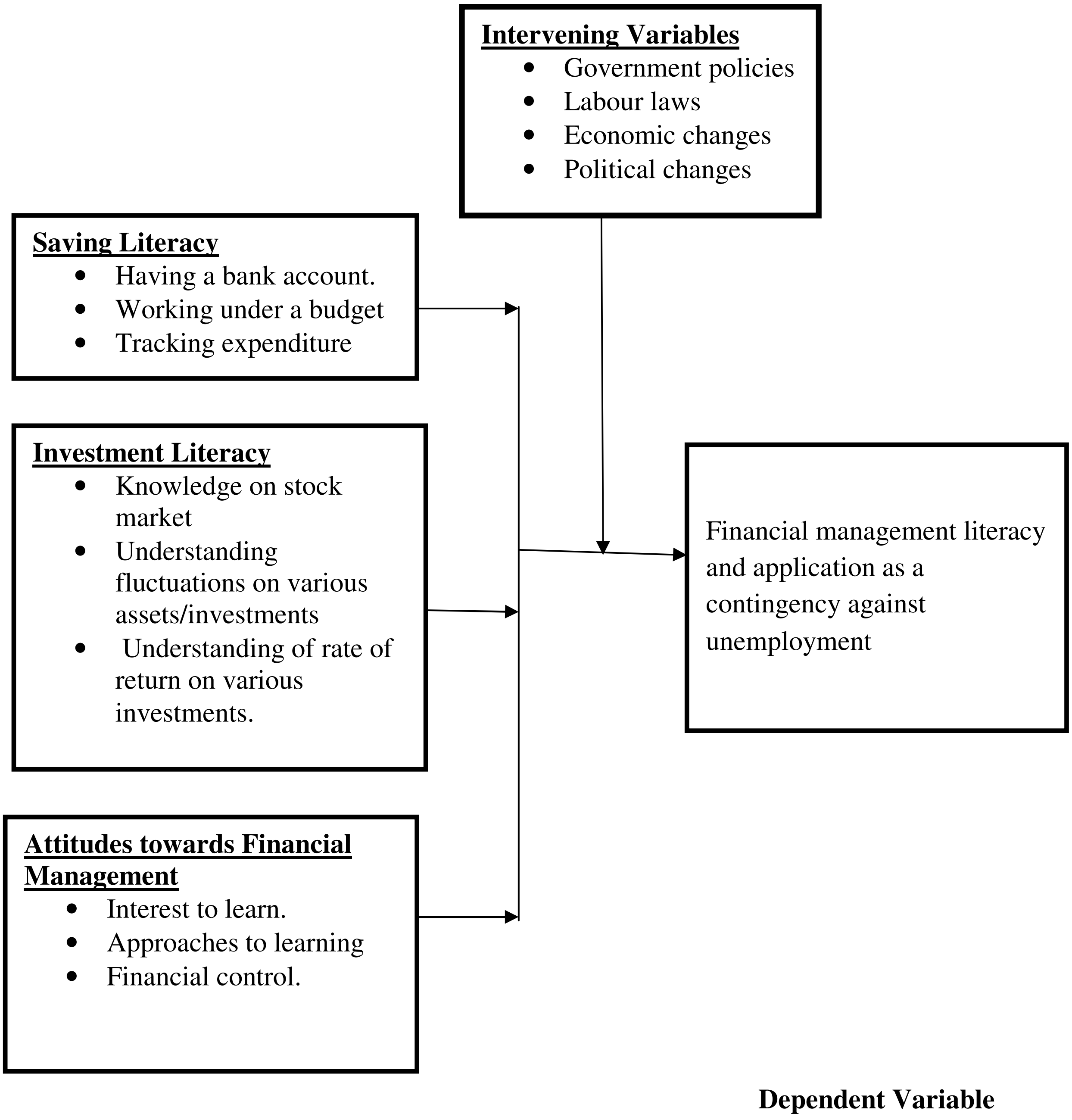

Figure 1: Conceptual Framework.

Source (Own 2012)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the procedures to be used in conducting the study, focusing on research design, target population, sample and sampling procedures, research instruments, and data collection and analysis procedures.

3.2 Research Design

The design used in the research was descriptive survey. It involved collection and analyzing of data in order to answer questions concerning the current status of the subject of study. Descriptive survey was used because it intended to provide statistical information about aspects of discipline that interest policy makers and educators. The research involved the collection of data on the financial management literacy and application of the university students.

3.3 Target Population

Target population is defined as all the members of a real or hypothetical set of people, events or objects to which a researcher wishes to generalize the results of the research study (Borg &Gall 1989). The target population of the study was 9214 students from seven universities within Nakuru town.

3.4 Sample Size Sampling Procedures

The universities for this study were purposively selected to capture two categories of ownership: public (state owned) and, privately owned within the town. Drawing a sample from across these categories ensured adequate representation. Stratified random sampling was used to obtain the sample size. The population was stratified according to ownership (public, private). A sub-sample size was determined for each stratum. The total sample size for the study was obtained using the following formula recommended by Borg and Gall (2006).

$$S = \frac{P(1-P)*100}{\frac{A^2}{Z^2} + \frac{P(1-P)}{N}} = 384$$

Where

S = Sample size required

N = Number of people in the population

P = Preliminary estimate of percentage of people in the population who possess attributes of interest. The conservative estimate and one that is often used is 50%. (0.5 will be used in this formula)

A = Accuracy (or precision) desired, expressed as a decimal (0.5 for 5% is used in this formula).

Z = The number of standard deviations of the sampling distribution (Z units) that corresponds to the desired confidence level, 1.96 for 95% confidence level, 1.6449 for 90% confidence level and 2.5758 for 99%.

The total sample size of 384 respondents was determined. The sub-sample size for each university was determined using the formula by Krejcie and Morgan (1970) given as:

$$s = \frac{xS}{P}$$

Where:

s = Sub-sample size for each university

x = Sub population of students in each university

S = Total sample size for the study

P = Total population for all universities

This number of respondents is above or more than the minimum of 100 recommended by Borg and Gall (2006) for survey studies. The formula will be preferred for its acceptable level of accuracy in generating a representative sample size at 0.05 level of confidence.

Table 3.4 Sample Size Determination

	Number of Students (Population Size)	**Sample Size**
Public		
Egerton University	2664	111
Jomo Kenyatta University of Agriculture & Technology	1000	42
Kenyatta University	150	6
Private		
Kabarak University	750	31
Kenya Methodist	1200	50
Mount Kenya University	3000	125
St.Pauls University	450	19
Total	**9214**	**384**

Source: Registrars office of the respective universities (Town campuses -June 2012)

3.5 Data Collection and Procedures

The study used primary data collection methods. The primary data was collected using questionnaires. Questionnaires were prepared for respondents to fill and avail data for the purpose of study as a qualitative approach to obtain data. All the data collected through the questionnaire was analyzed to identify any inconsistencies and institute the necessary corrective measures. Both unstructured and contingency questions were used in the design of questionnaire. Unstructured questions allowed greater depths of response and they stimulate the respondent to think about their feelings and motives while considering the best assessment of the situation. Contingency questions are easier to analyze thus help in arriving at proper presentation of data. Once the research proposal was ready for the study to be conducted, an introduction letter was obtained from Kabarak University. After the sampling process the researcher recruited and trained two data collection assistants who administered the questionnaires to selected respondents using drop and pick later method.

3.6 Validity and Reliability of the Study

Questionnaires were validated prior to data collection exercise. This refers to the extent to which a research performs what it was designed to do, Mugenda, and Mugenda, (1999). Kothari (2004) points out that validity measures the accuracy of the instruments in obtaining the anticipated data which can meet the objectives of the study. The researcher ensured validity of the research instruments through adequate consultations and expert opinion from lecturers in Kabarak University. The relevance of the content used in the questionnaire in relation to the objectives of the study was assessed using a cross-bridge matrix where by the items in the questionnaire are checked against the objectives of the study to ensure adequate content coverage. In the study, the items were considered reliable if they yielded a reliability coefficient of 0.7 and above. This figure is usually considered respectable and desirable for consistency levels (McClelland, 1961). In order to test the reliability of the instrument to be used in the study, the test- retest method was used. The questionnaire was administered twice within an interval of two weeks. In the study, the reliability will be established through the pilot-test whereby some items was either be adding or dropping to enable modification of the instrument.

3.7 Data Analysis and presentation

After all data was collected, the researcher conducted data cleaning, which involved identification of incomplete or inaccurate responses, which were then corrected to improve the quality of the responses. After data cleaning, the data was coded and entered into the computer for analysis using the Statistical Package for Social Sciences (SPSS) version 19. Descriptive analysis was done and computation of frequency distribution, mean and standard deviation, which were useful in presenting the study findings.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter presents the findings of the study based on research questions. The analysis of data collected formed the basis of the subsequent integration and conclusion drawn from the study.

4.2 Respondents' Background Information

This section presents a brief description of the sample and background characteristics of the sampled respondents. Such a description is considered to be very important in providing a better understanding of the respondents included in the study and therefore provide a good foundation for a detailed discussion of the results based on the stipulated objectives of the study.

4.2.1 Study Sample

This research sought to collect data from a sample of 384 respondents from three (3) public universities and four (4) private universities located within Nakuru town. The respondents were distributed as shown in (Table 4.2.1).

Table 4.2.1 Study Sample

Institution(s)	Sample Size
Public	
Egerton University	111
JKUAT	42
Kenyatta University	6
Private	
Kabarak University	31
Kenya Methodist	50
Mt. Kenya University	125
St. Pauls University	19
Total	**384**

4.3.3 Respondents' Year of Study

According to study findings (Figure 4.3.3), 39% of the respondents were second year students, 28% were third year students, 26% were first year students and 7% were fourth year students.

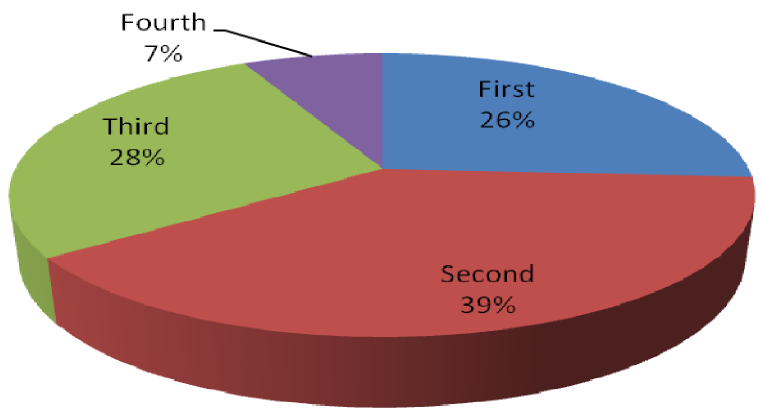

Figure 4.3.3 Respondents' Year of study

4.2.2 Nature of the Course Undertaken by Respondents

The study found out that only 64.8% of the respondents undertook courses that were business related whereas 35.2% did not undertake courses that were related to business (Table 4.2.2). These findings indicate that a significant proportion of the sample respondents undertook courses that were related to business.

Table 4.2.2: Whether the Respondents' Course was Business Related

Response		Frequency	Percent
	Yes	249	64.8
	No	135	35.2
	Total	**384**	**100.0**

4.2.3 Respondents Saving Habits

The respondents were asked whether they saved or not and responses summarized in Figure 4.2.3. According to survey findings, 75% of respondents saved while 25% did not save. These findings indicate that majority of the sampled respondents saved their income.

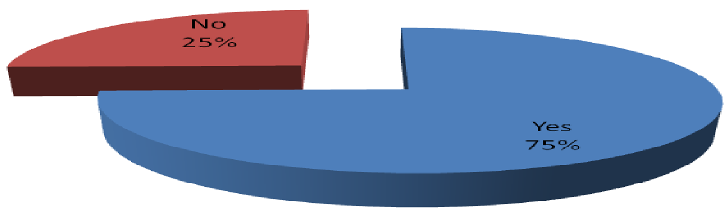

Figure 4.2.3: Whether the Respondents Save

4.3 Saving Literacy and Practice among University Students

The first objective of the study sought to determine the saving literacy among University students. In this regard the study investigated the various aspects of saving literacy such as saving and expenditure practices among the respondents. The study findings are discussed in the section below:

4.3.1 Savings Practices among Study Respondents

The respondents were asked to indicate the extent to which they disagree or agree with various aspects of saving habits and practices. The five-point Likert scale with strongly agree, moderately agree, Agree in some cases, disagree and strongly disagree was used. The results are presented in the Table 4.3.1.

Table 4.3.1 Savings Practices among Study Respondents

Statements	Percentage Response (%)					Total
	Strongly Disagree	**Disagree**	**Agree in some cases**	**Agree**	**Strongly Agree**	
I save out of each income I receive	2.4	3.8	21.6	53.6	18.6	**100.0**
I save at least 10% of my income	0.0	6.9	32.6	37.1	23.4	**100.0**
I set aside money for future needs	2.1	3.1	30.2	50.9	13.7	**100.0**
I am the kind of person who always looks to save money.	0.7	3.1	23.4	48.1	24.7	**100.0**
I will use my savings to start up a business after graduation.	2.7	8.2	24.1	43.0	22.0	**100.0**

The study findings revealed that 72.2% of the respondents generally agreed that they save out of each income they receive, 21.6% fairly agreed while 6.2% generally disagreed. Furthermore, 60.5% of the respondents generally agreed that they save at least 10% of their income, 32.6% fairly agreed while 6.9% generally disagreed.

In addition, 64.6% of the respondents generally agreed that they set aside money for future needs, 30.2% fairly agreed while 5.2% generally disagreed. Also, study findings show that 78.8% of the respondents generally agreed that they were the kind of people who always looked to save money, 23.4% fairly agreed while 3.8% generally disagreed. Finally, study findings indicate that 65% of the respondents generally agreed that they will use their savings to start up a business after graduation, 24.1% fairly agreed while 10.9% generally disagreed.

In order to determine the overall level of saving practice among university students, an index was constructed by summing up the products of the frequencies and ratings of the statements in Table 4.3.1. The higher the index score, the more practices were adopted. The index scores were then coded into three ordinal levels namely: (1) low, (2) moderate and (3) high. With respect to overall level of saving practices among university students, survey data (Figure 4.3.1) shows that

54.9% of the respondents reported "moderate", 27.4% reported "high" and only 17.7% reported "low". The study findings indicate that level of savings literacy and practice among university students was generally moderate.

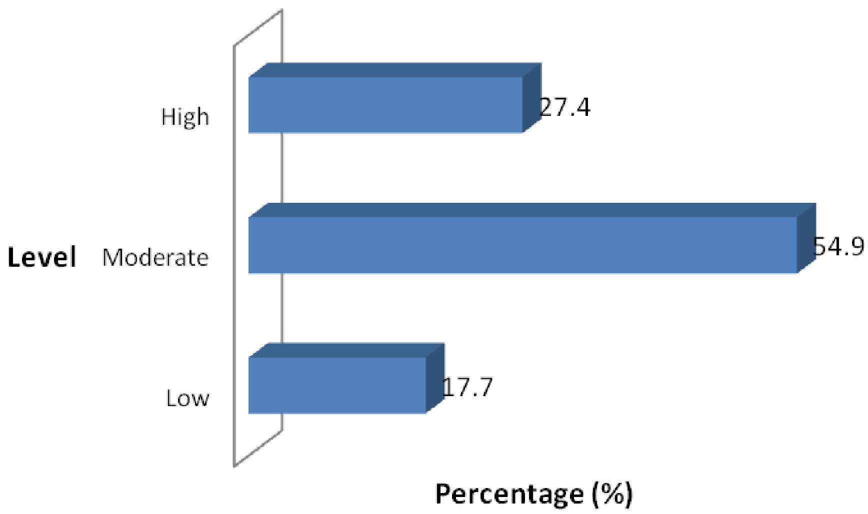

Figure 4.3.1. Overall Savings Literacy Index Score

4.3.2 Expenditure Patterns among University Students

The respondents were asked to indicate the extent to which they disagree or agree with various aspects of expenditure patterns. The five-point Likert scale with strongly agree, moderately agree, neutral, moderately disagree and strongly agree was used. The results are presented in the Table 4.3.2.

Table 4.3.2: Expenditure Patterns among Study Respondents

Statement	Percentage Response (%)					Total
	Strongly Disagree	Disagree	Agree in some cases	Agree	Strongly Agree	
I track all my expenses	1.2	3.6	21.0	57.8	16.4	**100.0**
I compare prices for major expenses	2.1	8.2	14.3	55.3	20.1	**100.0**
I use a spending plan or budget	3.0	8.8	18.2	46.2	23.7	**100.0**
I closely watch the amount I spend.	4.6	8.8	12.8	49.2	24.6	**100.0**

The study revealed that 74.2% of the respondents generally agreed that they tracked all their expenses, 21% fairly agreed while 4.8% generally disagreed. In addition, 75.4% of the respondents generally agreed that they compared prices for major expenses, 14.3% fairly agreed while 10.3% generally disagreed. Furthermore the study findings indicated that only 69.9% of the respondents generally agreed that they used a spending plan or budget, 18.3% fairly agreed while 11.8% generally disagreed. Finally, study findings also revealed that 73.8% of the respondents generally agreed that they closely watched the amount they spend, 12.8% fairly agreed while 13.4% generally disagreed.

In order to determine the overall level of expenditure practices among university students, an index was constructed by summing up the products of the frequencies and ratings of the statements in Table 4.3.2. The higher the index score, the more practices were adopted. The index scores were then coded into three ordinal levels namely: (1) low, (2) moderate and (3) high. With respect to overall level of expenditure literacy and practice, survey data (Figure 4.3.2) shows that 60.2% of the respondents reported “high”, 32.2% reported “moderate” and only 7.6% reported “low”. The study findings indicate that level of expenditure literacy and practice among university students was generally high.

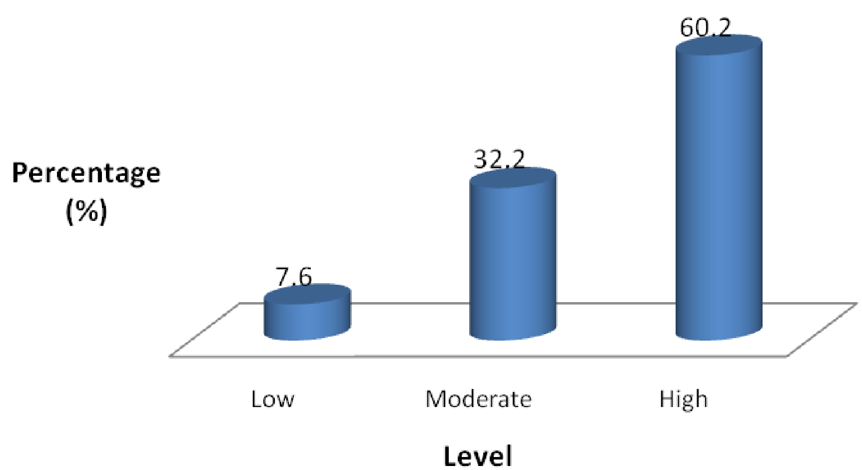

Figure 4.3.2 Overall Expenditure Literacy Index Score

4.4 Investment Literacy and Practices among University Students

The second objective sought to establish the level of investment literacy by investigating the various aspects of investment literacy and practices. To achieve this objective, the respondents were asked about stocks and market dynamics, training opportunities as well as investment knowledge and practices. The study findings are discussed in the section below:

4.4.1 Respondents' Understanding of the Stock Market

The study (Table 4.4.1) found out that 63.8% of the respondents understood stock market to bring people together to sell stocks, 16.3% understood stock market to help to predict stock earnings and 16% reported that market resulted in increase stocks price. In addition, 9.6% or respondents did not know about stocks, 2.7% did not respond while only 2.7% reported that none of the given statements was related to the stock market. These findings indicate that a significant proportion of respondents understood stock market bring people together to sell stocks.

Table 4.4.1Respondents' Understanding on the Stock market

Statement	Percentage Response (%)		Total
	Yes	No	
Helps to predict stock earnings	16.3	83.7	**100.0**
Market results in increase in price of stocks	16.0	84.0	**100.0**
stock market brings people together to sell stocks	63.8	36.2	**100.0**
None of the above	2.7	97.3	**100.0**
Dont know	9.6	90.4	**100.0**
No response	2.7	97.3	**100.0**

4.4.2 Whether Stocks are Riskier than Bonds

The study findings showed that 39.6% of the respondents agreed that stocks were riskier than bonds, 27.1% disagreed, 27.1% did not know whereas 6.2% did not respond (Figure 4.4.2). These findings indicate that a significant proportion of respondents did not agree that investment in stocks were riskier than bonds.

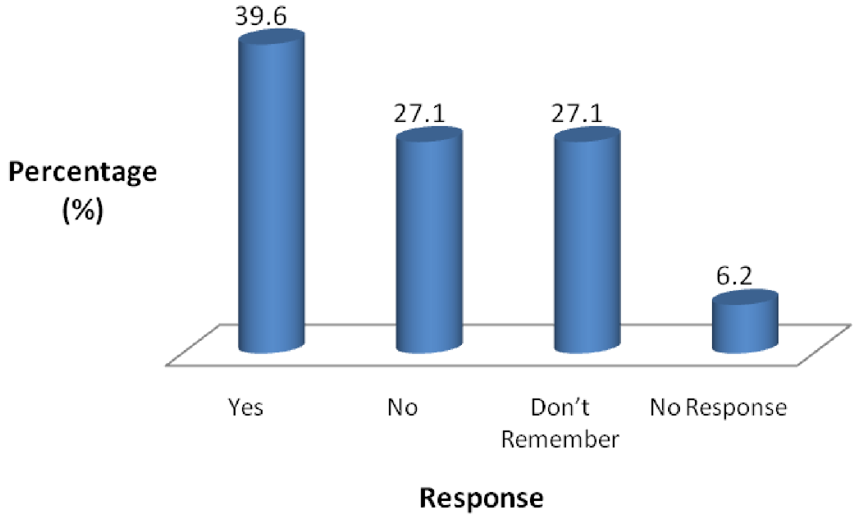

Figure 4.4.2 Whether Stocks are Riskier than Bonds

4.4.3 Rate of Returns on Various Investments

According the study findings (Table 4.4.3), 35.2% percent of the study respondents reported that bonds had highest returns followed by stocks (32.5%) and then savings accounts (8.6%). Study findings also indicate that 17.2% of respondents did not know the returns on the various investments while 6.3% did not respond. These findings imply that despite the respondents' knowledge on the rate of returns on various investments, a significant section still lacked information on either of the identified investments.

Table 4.4.3 Rate of Returns on Various Investments

Investment Type		Frequency	Percent
	Savings accounts	33	8.6
	Bonds	135	35.2
	Stocks	126	32.8
	Don't now	66	17.2
	No response	24	6.3
	Total	**384**	**100.0**

4.4.4 Asset/Investment's Periodic Fluctuations

Study findings (Figure 4.4.4), 41% percent of the study respondents reported that bonds had highest fluctuations followed by stocks (31%) and then savings accounts (5%). Study findings further reveal that 16% of respondents did not know the returns on the various investments while 7% did not respond. These findings imply that despite the respondents' knowledge on the rate of fluctuations on various investments/assets, a significant section still lacked information on fluctuations on the identified investments/assets.

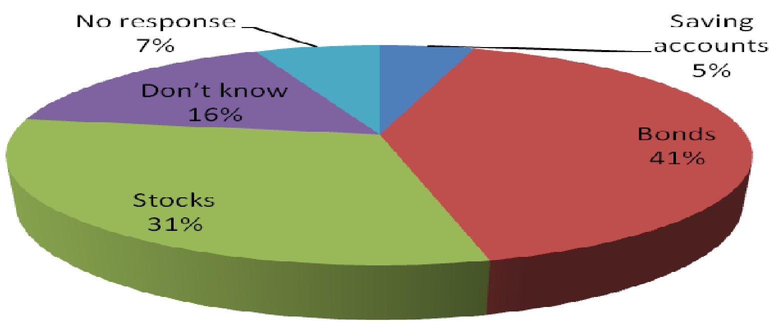

Figure 4.4.4 Asset with Highest Fluctuations Over Time

4.4.5 Risk of Losing Investment When Spread

With regard to the extent of loss of investment when spread, study findings (Table 4.4.5) indicate that 59.6% of the study respondents reported a decrease in loss, 15.1% did not know, 9.9% (increase), 9.6% (remain constant) whereas 5.8% did not respond. These findings show that a significant proportion of respondents were agreed that the risk of loss of investment was reduced when spread.

Table 4.4.5 Risk of Losing Investment When Spread

Response	Frequency	Percent
Increases	38	9.9
Decreases	229	59.6
Remain constant	37	9.6
Dont know	58	15.1
No response	22	5.8
Total	**384**	**100.0**

4.4.6 Investment Literacy and Practices among University Students

The study respondents were asked to indicate the extent to which they disagree or agree with various aspects of investment literacy and practices. The five-point Likert scale with strongly agree, moderately agree, Agree in some cases, disagree and strongly disagree was used. The results are presented in the Table 4.4.6.

Table 4.4.6 Investment Practices among University Students

Statement	Percentage Response (%)					Total
	Strongly Disagree	**Disagree**	**Fairly Agree**	**Agree**	**Strongly Agree**	
I know about investments (stocks, bonds, mutual funds).	1.2	21.7	25.5	42.2	9.4	**100.0**
I have invested in stocks ,bonds, or mutual funds	4.3	33.4	23.5	33.6	5.2	**100.0**
I spread my money across more than one type of investment	9.2	31.2	22.0	33.3	4.3	**100.0**

The study findings revealed that 51.4% of the respondents generally agreed that they knew about investments (stocks, bonds, mutual funds), 25.5% fairly agreed while 22.9% generally disagreed. In addition, 41.8% of the respondents generally agreed that they have invested in stocks, bonds, or mutual funds, 23.5% fairly agreed while 37.6% generally disagreed. Finally, 37.6% of the respondents generally agreed that they spread their money across more than one type of investment, 22% fairly agreed while 40.4% generally disagreed.

In order to determine the overall level of investment among university students, an index was constructed by summing up the products of the frequencies and ratings of the statements in Table 4.4.6. The higher the index score, the more practices were adopted. The index scores were then coded into three ordinal levels namely: (1) low, (2) moderate and (3) high. With regard to the overall level of investment among the university students, survey data (Figure 4.4.6) show that 39.2% of the respondents reported moderate, 32% reported high and 29% reported low. The study findings indicate that overall level of investment among the university students was moderate.

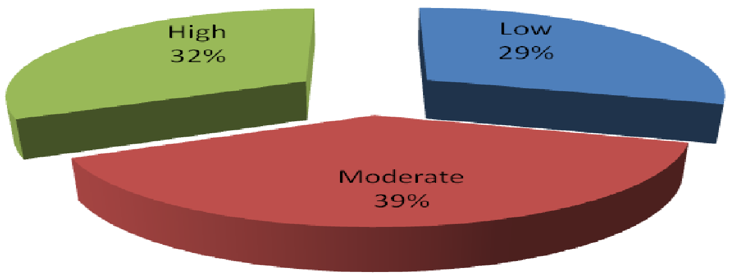

Figure 4.4.6 Overall Investment Literacy Index Score

4.5 Attitude towards Financial Management Literacy among University Students

The third objective sought to establish the attitude towards financial management literacy and practice among university students. To achieve this objective, the study sought information on aspects such as training opportunities, financial control, approaches for learning financial management as well as financial management literacy levels. The study findings are discussed in the section below:

4.5.1 Respondent's Training in Financial Management Skills

With regard to respondents' training in financial management skills, study findings (Figure 4.5.1) reveal that 59.6% of the respondents had trained in financial management skills, 36.7% had no training, 3.1% did not remember whereas 0.6% did not respond. These findings suggest that a significant proportion of study respondents had some training in financial management skills.

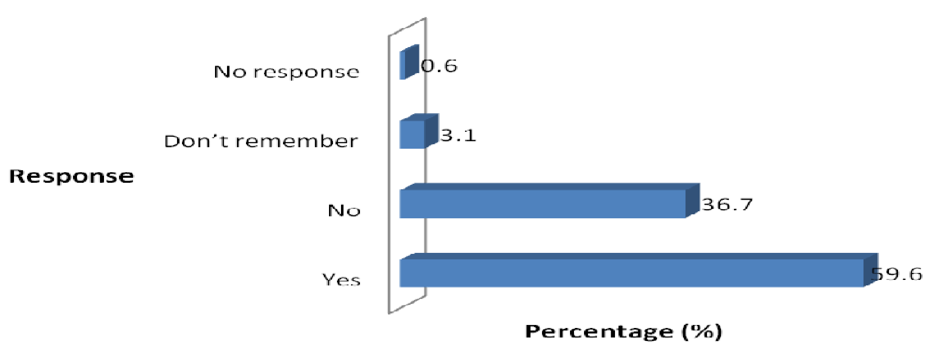

Figure 4.5.1 Respondent's Training in Financial Management Skills

4.5.2. Respondent's Interest in Learning More Financial Management Issues

According to study findings (Table 4.5.2), 52.6% of the study respondents were very interested in learning more on financial management issues, 29.2% were somewhat interested, 9.4% were not too much interested, 7.8% were not interested at all whereas 1% did not know. These findings show that more than half of study respondents were very interested in learning more on financial management issues.

Table 4.5.2 Respondents' Willingness to learn more Financial Management Issues

Response		Frequency	Percent
	Very interested	202	52.6
	Somewhat interested	112	29.2
	Not too much interested	36	9.4
	Not at all	30	7.8
	Dont know	4	1.0
	Total	**384**	**100.0**

4.5.3. Suggested Approaches to Learn More on Financial Issues

According to study findings (Figure 4.5.3), the suggested approaches for further learning of financial management issues in order of magnitude were as follows: one-to-one sessions (45.3%), classroom (24%), interactive internet (20.8%) and games (9.9%). This suggests one-to-one sessions and classroom were the most popular approaches while other potential approaches such as interactive internet and games are yet to be fully exploited for learning financial management issues.

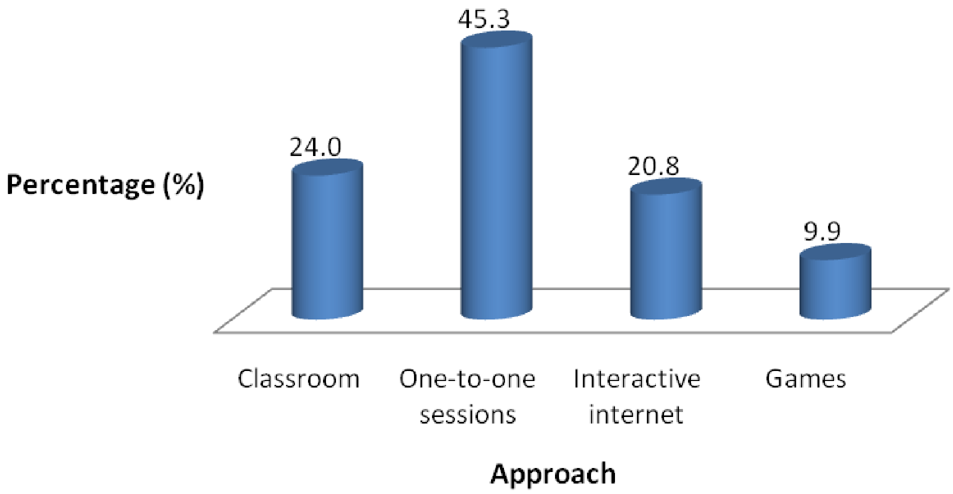

Figure 4.5.3 Approaches to Learn more on Financial Issues

4.5.4 Respondents' Financial Control

The respondents were asked whether they felt that their financial situation was out of control and their responses summarized in Figure 4.5.4 Study findings showed that 51% of the respondents disagreed that their financial situation was out of control whereas 49% agreed that their financial situation was out of control. These findings imply that despite a significant proportion of respondents being in control, a sizeable section of the respondents felt that their financial situation was out of control.

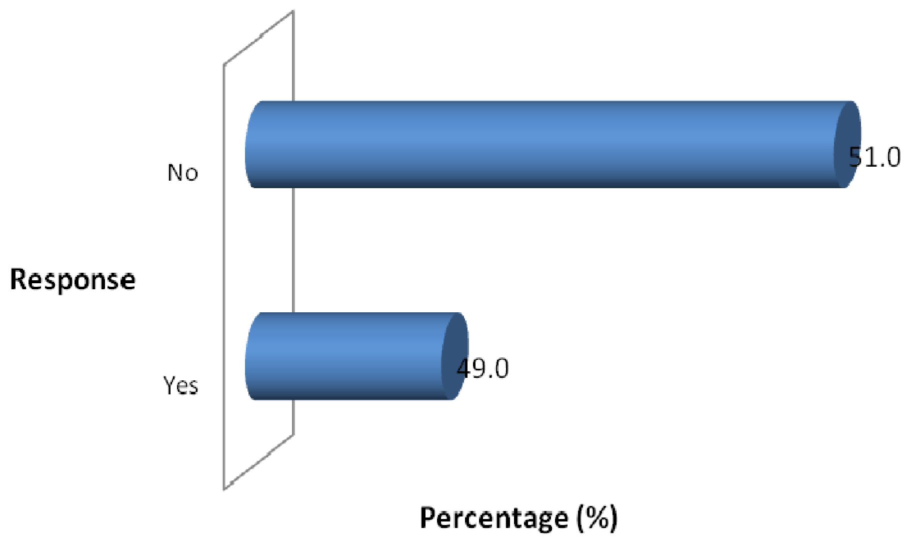

Figure 4.5.4 Respondents' Financial Control

4.5.5 Source of Financial Advice

On the basis of study findings (Table 4.5.5), the various sources of financial advice for university students in order of magnitude include: Financial experts/advisor/consultant/manager/specialist (30.7%), Friends (11.6%), Relatives (8.74%), Family members/spouse/siblings (5.17%), Auditors (4.85%), Bank Loan Officers (4.53%), Business People (4.53%), Colleagues/Collegemates (4.53%), Mentors (4.21%), Bank managers (3.88%), Anybody with financial skills (3.23%), Established companies/businesses (2.91%), Internet (2.91%), Banks (2.58%), Accountants (2.26%), Financial institutions (1.94%) and Lecturers (1.29%). These findings imply that Financial experts/advisor/consultant/manager/specialist, Friends, Relatives and Family members/spouse/siblings were the main sources of financial advice for university students.

Table 4.5.5 Respondents' Source of Financial Advice

Source		Frequency	Percent
	Anybody with financial skills	10	3.23
	Accountants	7	2.26
	Auditors	15	4.85
	Banks	8	2.58
	Bank managers	12	3.88
	Bank Loan Officers	14	4.53
	Business People	14	4.53
	Colleagues/Collegemates	14	4.53
	Established companies/businesses	9	2.91
	Family members/spouse/siblings	16	5.17
	Financial Institutions	6	1.94
	Financial experts/advisor/consultant/manager/specialist	95	30.74
	Friends	36	11.65
	Internet	9	2.91
	Lecturers/teachers/tutors	4	1.29
	Mentors	13	4.21
	Relatives	27	8.74
	Not Applicable	75	19.5
	Total	**384**	**100.0**

4.5.6 Respondents' Attitude towards Financial Management

The study respondents were asked to indicate their attitude towards financial management. The five-point Likert scale with strongly agree, agree, fairly agree, disagree and strongly disagree was used. The results are presented in the Table 4.5.6.

Table 4.5.6 Respondents' Attitude towards Financial Management

Statement	Percentage Response (%)				
	Strongly Disagree	Disagree	Agree in some cases	Agree	Strongly Agree
Often budget and track spending	1.6	6.9	9.8	42.5	39.3
I feel in control financially	2.9	14.0	14.0	42.5	26.6
I don't worry financially	8.2	17.9	12.1	35.4	26.4
I have ability to handle finances	3.7	11.6	11.6	40.4	32.7
I am always aware of money I spend	6.1	9.5	10.0	35.4	39.1
I always have a financial plan	2.4	13.5	8.4	39.3	36.4
I avoid spending more money than I have	7.7	11.6	7.9	34.6	38.3

The study findings revealed that 83.8% of the respondents generally agreed that they often budget and track spending, 9.8% fairly agreed while 8.5% generally disagreed. Also, 69.1% of the respondents generally agreed that they felt in control financially, 14% fairly agreed while 16.9% generally disagreed. In addition, 61.8.8% of the respondents generally agreed that they didn't worry financially, 12.1% fairly agreed while 26.1% generally disagreed.

Furthermore, 73.1% of the respondents generally agreed that they had ability to handle finances, 11.6% fairly agreed while 15.3% generally disagreed. Study findings further indicate that 74.5% generally agreed that they were always aware of money they spend, 10% fairly agreed while 15.6% generally disagreed. The findings also show that 75.7% generally agreed that they always had a financial plan, 8.4% fairly agreed while 15.6% generally disagreed. Finally, study findings revealed that only 72.9% generally agreed that they avoid spending more money than they have 7.9% fairly agreed while 19.3% generally disagreed.

In order to determine the overall level of attitude towards financial management among university students, an index was constructed by summing up the products of the frequencies and ratings of the statements in Table 4.5.6. The higher the index score, the more practices were adopted. The index scores were then coded into three ordinal levels namely: (1) low, (2) moderate and (3) high. According to study findings (Figure 4.5.6), 57% of the respondents reported that the overall level of attitude towards financial management among the university students was generally high (60%), 36% reported "moderate" and only 4% reported "low". On the basis of these findings, the overall level of attitude towards financial management was generally high.

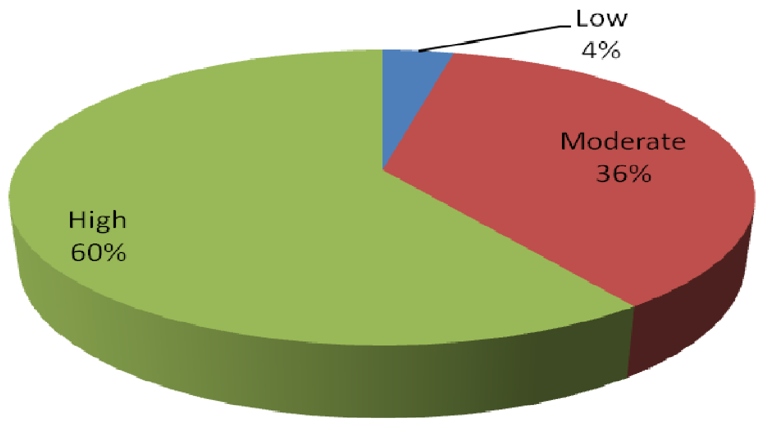

Figure 4.5.6 Overall Attitude towards Financial Management

4.5.7 Financial Management Literacy among University Students

The study respondents were asked to indicate the extent to which they disagree or agree with various aspects of financial management literacy and practices. The five-point Likert scale with strongly agree, moderately agree, Agree in some cases, disagree and strongly disagree was used. The results are presented in the Table 4.5.7.

Table 4.5.7 Financial Management Literacy among University Students

Statement	Percentage Response (%)				
	Strongly Disagree	**Disagree**	**Agree in some cases**	**Agree**	**Strongly Agree**
Buying goods on credit will reduce purchasing power in future	7.0	19.8	9.9	38.4	24.8
The increase of the price of goods will reduce buying power	6.8	19.1	14.6	38.6	20.9
I overspend when using savings to buy daily necessities	7.9	18.8	20.4	39.2	13.8
Savings is extra income after deducted expenses	7.3	23.0	12.0	39.7	18.0
Interest will influence the future value of savings	11.2	13.1	15.7	40.7	19.3
Buying insurance is the best investment	8.4	10.4	22.2	39.9	19.1
Savings account interest exceeds fixed deposit interest	9.9	16.7	40.5	24.5	8.4
The longer the education loan is due the greater cost of financing it	6.8	14.9	34.2	33.2	11.0
All types of investments are profitable	18.0	17.2	35.0	17.8	12.0
We can borrow to invest	23.2	14.7	31.9	16.7	14.1

The study findings revealed that 63.2% of the respondents generally agreed that buying goods on credit reduced purchasing power in future, 9.9% fairly agreed while 26.9% generally disagreed. Furthermore, 59.5% of the respondents generally agreed that the increase of the price of goods reduced buying power, 14.6% fairly agreed while 25.9% generally disagreed. In addition, 53.1% of the respondents generally agreed that they overspend when using savings to buy daily necessities, 10.2% fairly agreed while 26.7% generally disagreed.

The study findings revealed that 57.7% of the respondents generally agreed that savings was extra income after deducted expenses, 12% fairly agreed while 30.3% generally disagreed. Also, 60% of the respondents generally agreed that interest influenced the future value of savings, 15.7% fairly agreed while 24.3% generally disagreed. In addition, 59% of the respondents generally agreed that buying insurance is the best investment, 22.2% fairly agreed while 18.8% generally disagreed.

The study findings further revealed that 32.9% of the respondents generally agreed that buying goods on credit reduced purchasing power in future, 40.5% fairly agreed while 26.6% generally disagreed. Also, 44.2% of the respondents generally agreed that the increase of the price of goods reduced buying power, 34.2% fairly agreed while 21.7% generally disagreed. In addition, 29.8% of the respondents generally agreed that they overspend when using savings to buy daily necessities, 35.0% fairly agreed while 35.2% generally disagreed. Finally 30.8% of the respondents generally agreed that they can borrow to invest, 31.3% fairly agreed and 37.9% generally disagreed.

In order to determine the overall level of financial management literacy among university students, an index was constructed by summing up the products of the frequencies and ratings of the statements in Table 4.5.7. The higher the index score, the more practices were adopted. The index scores were then coded into three ordinal levels namely: (1) low, (2) moderate and (3) high. With regard to overall financial management literacy among university students, survey data (Figure 4.5.7) show that 45.9% of the respondents reported "moderate", 36.7% reported "high" and only 17.4% reported "low". The study findings indicate that financial management literacy among university students was generally moderate.

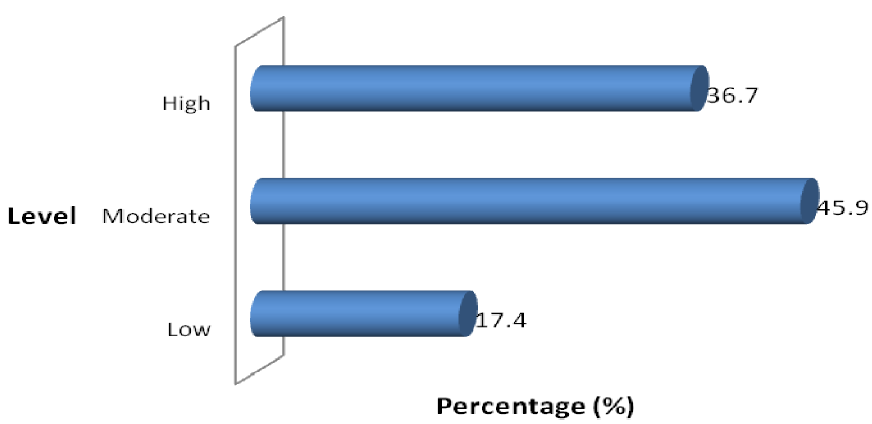

Figure 4.5.7 Overall Financial Management Literacy Index

CHAPTER FIVE

SUMMARY FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary Findings

This study sought to establish the financial management literacy levels of university students and application as a contingency against unemployment in Kenya. The specific objectives included to: determine the saving literacy; to determine the investment literacy and determine the attitude towards financial management among university students. Based on the study objectives and the research methodology, the summary findings are as follows:

5.1.1 Saving Literacy and Practices among University Students

These findings indicate that majority of the sampled respondents (75%) saved their income. In addition, study findings indicate that level of savings literacy and practice among university students was generally moderate. It was also evident that the level of expenditure literacy and practice among university students was generally high.

5.1.2 Investment Literacy and Practices among University Students

According to study findings, a significant proportion of respondents (63.8%) understood stock market bring people together to sell stocks. Furthermore, a significant proportion of respondents did not agree that investment in stocks were riskier than bonds. Also, despite the respondents' knowledge on the rate of returns on various investments, a significant section still lacked information on either of the identified investments. Study findings showed that despite the respondents' knowledge on the rate of fluctuations on various investments/assets, a significant section still lacked information on fluctuations on the identified investments/assets. In addition, findings revealed that a significant proportion of respondents agreed that the risk of loss of investment was reduced when spread. The overall level of investment among the university students was found to be generally moderate.

5.1.3 Attitude towards Financial Management among University Students

Study findings indicated that a significant proportion of study respondents had some training in financial management skills. In addition, more than half of study respondents were very interested in learning more on financial management issues. Study findings further suggests one-to-one sessions and classroom were the most popular approaches while other potential approaches such as interactive internet and games are yet to be fully exploited for learning financial management issues.

It was also evident that despite a significant proportion of respondents being in control, a sizeable section of the respondents felt that their financial situation was out of control. In addition, financial experts/advisor/consultant/manager/specialist, friends, relatives and family members/spouse/siblings were the main sources of financial advice for university students. In general, the overall level of attitude towards financial management was generally high. Finally, study findings indicate that financial management literacy among university students was generally moderate.

5.2 Conclusion

This study has attempted to assess the financial management literacy levels of university students and application as a contingency against unemployment in Kenya. Furthermore, this study has examined saving literacy among university students. In addition, the study has also evaluated the investment literacy and practices among university students. Finally, the study also examined the attitude of university students towards financial management among. The study findings are useful in providing clear understanding of the financial management literacy levels among university students and application as a contingency against unemployment in the study area and in other parts of the country. On the basis of the survey findings, the study arrived at several conclusions:

The study concludes that despite the greater saving potentials among university students, the level of savings literacy and practice among university students was generally moderate compared to observed high levels of expenditure literacy and practice among university students was generally high. This implies that there was a mismatch between the saving and expenditure literacy and practices among university students.

The study also concluded that despite the respondents' efforts to invest in various investment options, a significant proportion still lacked information knowledge on critical aspects such as the rate of returns on various investments and rate of fluctuations on various investments/assets. Furthermore, the study concluded that a sizeable section of the respondents felt that their financial situation was out of control. As a consequence the university students sought financial advice mostly from financial experts/advisor/consultant/manager/specialist, Friends, Relatives and Family members/spouse/siblings were the main sources of financial advice for university students. It is evident that some of the sources of financial advice were not professional and did not address the financial problems among the respondents. Finally, the study further concluded that despite overall level of attitude towards financial management being generally high, the overall financial management literacy among university students was generally moderate.

5.3 Recommendations

In view of the study findings, the level of savings literacy and practice among university students was generally moderate compared to observed high levels of expenditure among university students was generally high. This implies that there was a mismatch between the saving and expenditure literacy and practices among university students. It is therefore imperative to address the observed mismatch by reinforcing saving culture.

It was apparently clear from the study that despite the respondents' efforts to invest in various investment options, a significant proportion still lacked information knowledge on critical aspects such as the rate of returns on various investments and rate of fluctuations on various investments/assets. This study recommends the need to provide reliable and timely information on various investment options especially rate of returns and rate of fluctuations on various investments/assets.

It was also evident from the study findings that some of the sources of financial advice were not professional and did not address the financial problems among the respondents. This study recommends the need to seek appropriate professional advice on financial management and investment options.

The study also established that despite overall level of attitude towards financial management being generally high but the overall financial management literacy among university students was generally moderate. Consequently, this study recommends effective awareness and education campaigns to be regularly carried out among the university students to improve their financial management literacy.

5.4 Suggestion for Further Research

This study provided critical insight into the financial management literacy levels of university students and application as a contingency against unemployment in Kenya within Nakuru town. More studies are therefore required before general conclusions can be drawn. Furthermore, in order to capture unemployment levels, further research should focus on the unemployed university graduates.

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APPENDIX 1:

INTRODUCTION LETTER

My name is Moses Kinoti, a student at Kabarak University, pursuing a Degree of Master of Business Administration, MBA (Finance). As a part of my degree completion, am required to conduct a research on financial management literacy and application among university students as contingency against unemployment in Kenya

I will appreciate any help in the filling of the questionnaire. The response obtained is strictly for research work only and the motive of the research is not inclined to denying the respondent his/her right of confidentiality. Any response provided is highly appreciated.

Thank You.

APPENDIX 2:

QUESTIONNAIRE

PART A: GENERAL INFORMATION

1. Gender

   A. Male ☐

   B. Female ☐

2. Year of study

   A. First ☐

   B. Second ☐

   C. Third ☐

   D. Fourth ☐

3. The course I am taking is business related

   A. True ☐

   B. False ☐

PART B: FINANCIAL MANAGEMENT LITERACY AND APPLICATION AMONG UNIVERSITY STUDENTS AS CONTIGENCY AGAINST UNEMPLOYMENT IN KENYA

<u>SAVING LITERACY</u>

1. Do you save?

Yes ☐

No ☐

2. If No in one above, what are your reasons?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

……………………………………………………………

If your answer is yes in one above, indicate your agreement with the following statements.

	Strongly agree(1)	Agree (2)	Agree in some cases(3)	Do not agree(4)	Strongly disagree(5)
3. I save out of each income I receive					
4. I save at least 10% of my income					
5. I set aside money for future needs					
6. I am the kind of person who always looks to save money.					
7. I will use my savings to start up a business after graduation.					

EXPENDITURE PATTERNS

	Strongly agree(1)	Agree (2)	Agree in some cases(3)	Do not agree(4)	Strongly disagree(5)
8. I track all my expenses					
9. I compare prices for major expenses					
10. I use a spending plan or budget					
11. I closely watch the amount I spend.					

INVESTMENT PRACTISES

	Strongly agree(1)	Agree (2)	Agree in some cases(3)	Do not agree(4)	Strongly disagree(5)
12. I know about investments (stocks, bonds, mutual funds).					
13. I have invested in stocks ,bonds, or mutual funds					
14. I spread my money across more than one type of investment					

<u>ATTITUDE TOWARDS FINANCIAL MANAGEMENT</u>

16. Since you joined college, have you ever undertaken a course specifically targeting to empower you with financial management skills?

Yes	No	Don't remember	Refuse to answer

17. Thinking about the next one year, how interested would you be in learning more about financial issues. Tick the most appropriate answer to you.

Very interested	Somewhat interested	Not too interested	Not interested at all	Don't know

18. Which type of approach would be useful if you wanted to learn more about financial issues?

classroom	One-on one session	Interactive internet session	game

On a scale of (1 – 5), please indicate the extent to which you agree to each of the following statements.	**Very true (5)**	**Somewhat true (4)**	**Not sure (3)**	**True to a small Extent(2**	**Not true at all (1)**

a)I often budget and track spending	
b)I feel in control financially	
c)I don't worry financially	
d)I have the ability to handle finances	
e)I am always aware of money I spend	
g)I avoid spending more money than I have.	

19 Have you ever felt that your financial situation was out of control?

Yes ☐

No ☐

On a scale of (1 – 5), please indicate the extent to which you agree to each of the following statements.	Very true (5)	Somewhat true (4)	Not sure (3)	True to a small Extent(2)	Not true at all (1)

Financial management Literacy Test.	
STATEMENT	
1. Buying goods on credit will reduce purchasing power in future	
2.The increase of the price of goods will reduce buying power	
3.I overspend when using savings to buy daily necessities	
4.Savings is extra income after deducted expenses	
5.Interest will influence the future value of savings	
6.Buying insurance is the best investment	
7.Savings account interest exceeds fixed deposit interest	
8.The longer the education loan is due the greater cost of financing it	
9.All types of investments are profitable	
10.We can borrow to invest	

11**. Function of Stock Market**

Which of the following statements describes the main function of the stock market? Tick the correct statement

a)The stock market helps to predict stock earnings	
b)The market results in an increase in price of stocks	
c) The stock market brings people who want to buy stocks together with those who want to sell stocks	
d)) None of the above	
e) don't know;	
f) Refuse	

12. **Risk:** Stocks are normally riskier than bonds. Tick the correct answer

True	**False**	**Don't Know**	**Refuse to answer**

13. **Long Period Returns**

Considering a long time period (for example 10 or 20 years), which asset normally Gives the highest return? Tick the correct answer

Savings accounts	Bonds	Stocks	don't know	Refuse answer

14. **Highest Fluctuations**

Normally, which asset displays the highest fluctuations over time? Tick the correct answer

Saving Accounts	Bonds	Stocks	don't know	Refuse

15. **Risk Diversification: Spreading Money among Different Assets**

When an investor spreads his money among different assets, does the risk of losing Money. Tick the correct answer

Increase;	Decrease;	stay the same	don’t know	Refuse

Thank you for your response.

APPENDIX 3:

BUDGET

ITEM	COST (Kshs)
Two rims of printing papers	800
Writing pens	200
Type setting printing of proposal and project	6000
Type setting and printing of questionnaires	2000
Traveling	2500
Meals& Drinks	2000
Internet services	3000
Binding of report	2500
Total amount	**19,000**