THE ROLE OF FINANCIAL LITERACY IN PERSONAL FINANCIAL DECISIONS: CASE OF BALOZI SACCO MEMBERS

BY

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UNITED STATES INTERNATIONAL UNIVERSITY AFRICA

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A Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Master of Business Administration (MBA)

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DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University Africa in Nairobi for academic credit.

Signed: ___________________________ Date: ___________________________

Stella Kimani (ID: 627903)

This project report has been presented for examination with my approval as the appointed supervisor.

Signed: ___________________________ Date: ___________________________

Dr. Amos G. Njuguna

Signed: ___________________________ Date: ___________________________

Dean, Chandaria School of Business
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ABSTRACT

The main purpose of the study was to determine the role of financial literacy in personal financial decisions with specific reference to Balozi SACCO members. The research was guided by the following specific objectives: To determine the benefits of financial literacy on personal financial decisions, determine the challenges to participation in financial literacy programs and determine the strategies to improve financial literacy amongst members of Balozi SACCO members.

Descriptive research design was used. The population of the research comprised of 133 members of Balozi SACCO drawn from U.S. Embassy, USAID and the KK Guards. The study involved stratified random sampling to determine the sample size from each strata and random sampling technique was used to select the sample for each strata.

The study employed the use of questionnaires which used both open ended and closed ended questions to collect data from the SACCO members at their respective offices. The study adopted stratified random sampling technique to collect the data. Correlation, T-test value of 2 and frequency distribution were the descriptive statistics techniques used to analyze the findings. The results were presented in the form of tables and graphs.

The study revealed that the benefits of financial literacy on personal financial decisions include: Financial satisfaction, better management of personal finances, substantial returns, money management, budgeting and record keeping, retirement planning and debt management.

The challenges that hinder the administration of financial literacy programs as disclosed by the findings are: Financial constraints, lack of literacy programs, individuals’ commitments, lack of sponsorship and culture and beliefs.

The noted strategies to promote financial literacy as outlined in the study include: offering financial literacy programs at easily accessible venues, adoption of online platform in offering financial literacy programs, sponsorship, incorporation of financial literacy course in the school curriculum, flexible scheduling of programs and use of practical approaches.
The survey concludes that in deed financial satisfaction, better management of personal finances, substantial returns, money management, budgeting and record keeping, retirement planning and debt management are the benefits associated with financial literacy programs. The major drawback in the implementation of financial literacy program is majorly attributed to lack of sponsorship. SACCOs and other financial institutions could adopt flexible scheduling, online platform and practical approaches as strategies to reach out to their members.

The study recommends that all the stakeholders within the financial sector and without to continuously exploits financial satisfaction, better management of personal finances, substantial returns, money management, budgeting and record keeping, retirement planning and debt management for maximum output on their personal financial decisions. On the impediments to the administration of financial literacy programs, the survey recommends the SACCOs and other financial institutions on need to go the extra mile in suppressing drawbacks like financial constraints in order to cultivate financial literacy programs within their memberships. Balozi SACCO and others should embrace the use of modern avenues such as online platform, flexible scheduling and use of practical approaches in order to impart up to date financial knowledge to their members.
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DEDICATION

To my father, Johnson Kimani Matere, thank you for believing in me and for all the sacrifices you made to make me who I am today. I could not have done it without your support and prayers.

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To my children, Njuguna, Muthoni and Kimani. May God guide your steps all the days of your lives.
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LIST OF ABBREVIATIONS

AGM  Annual General Meeting

GEM  Global Entrepreneurship Monitor

JKUAT  Jomo Kenyatta University of Agriculture and Technology

OECD  The Organization for Economic Co-operation and Development

RBA  Retirement Benefits Authority

SACCOs  Savings and Credit Co-operative Societies

U.S.  United States

USAID  United States Agency for International Development

USIU-A  United States International University Africa
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

There is often an aura of mystery about how one can realize financial success. Manyara (2008) affirms that beyond the vague admonitions from parents that one should save for a rainy day and live within their means; most people do not have any significant and practical guideline on how to successfully manage their money. He further asserts that successful financial management to some people is a riddle wrapped in a mystery inside an enigma. Personal finance is a scarce resource that requires meticulous and prudent management to realize not only personal financial objectives but also other auxiliary goals in life.

Investing is an important part of any individual’s personal financial plan. People invest money in order to increase their future wealth. An investment involves the commitment of funds to one or more assets that will be held over some investment horizon (Jones, 2007). According to Cummings (2007), there is need for investment planning. He affirms that money hidden away does no useful work for the owner and should be put to profitable work. This means that for savings to earn a return, they should be put to useful work.

The range of investment types runs from savings accounts and money market funds to stocks and bonds to real estate and collectibles. Basically, any asset that is purchased primarily in expectation of earning a future monetary reward can be considered an investment (Boone, Kurtz and Hearth, 2006). Boone et al. affirm that investing is critical and is more important today than ever before for the following reasons: we are living longer, personal incomes are not rising very rapidly, the labor market is changing and self-directed retirement plans are now the norm. They further outline the investment process as being made up of the following steps: setting investment goals, assessing risk and return, selecting the right investment, and managing your investment. The investment process requires financial skills on investment identification, risk assessment, evaluation of investments, implementation of the investment and monitoring the investment.
Increased individual responsibility for retirement planning and soaring levels of consumer debt have brought about questions of whether households have sufficient financial knowledge to make adequate inter-temporal consumption decisions and to manage their investments (Brown and Graf, 2012).

Lusardi (2008a) asserts that basic financial knowledge is the working of interest compounding, basics of risk diversification, and the difference between nominal and real values. Further, she asserts that financial literacy affects financial decision-making and ignorance about basic financial concepts can be linked to lack of retirement planning, lack of participation in the stock market, and poor borrowing behavior.

Globally, financial literacy is seen to be significant for various reasons. For example, the global financial crisis is seen to reduce access to credit as well as increase the cost associated with it. This is a scenario witnessed in many developing economies like the United States and Europe as a whole. Financial literacy is instrumental in assisting the consumers whenever they face crunch financial times; through entrenching strategies that reduce risks like accumulating savings, diversifying assets, and purchase of insurance. Moreover, financial literacy is well seen to reinforce traits like timely payment of bills and avoidance of over indebtedness and thus it is able to assist consumers maintain access to loans in tight credit markets (Miller, Godfrey, Levesque and Stark, 2009).

The onset of the financial crisis has seen financial literacy come to the forefront of policy agendas aimed at enhancing financial sector stability. The heavy losses incurred by retail investors during the crisis have led to renewed policies to protect these investors from making ill-informed financial decisions. In addition, limited financial literacy is further viewed as one driver of delinquencies in the U.S. (subprime) mortgage market (Gerardi et al., 2010). Locally, the Kenyan government, regulatory bodies, firms, education institutions and other financial bodies have sought to increase financial literacy by improving access to financial services and information. In 2012, the Capital Markets Authority (CMA) rolled out an investor education programme targeting the devolved system of government which is set to increase investment opportunities at the county level. The programme is meant to boost investor confidence through creating financial literacy. In addition, technology is being used as a means of furthering financial education. Websites such as Valuraha have been launched to create financial literacy. Furthermore, the Treasury and the Commonwealth Secretariat launched a financial
literacy programme in 2012 intended to encourage entrepreneurship. The project targets schools and adult education classes and is also sponsored by the President’s Award Kenya which oversees awards for young people for improving various out-of-class skills (National Bureau of Statistics Economic Survey, 2010).

According to Lusardi (2008b), financial illiteracy is widespread among the U.S. population and is particularly acute among specific demographic groups, such as those with low education, women, African-Americans, and Hispanics. Xu and Zia (2012) state that even though there have been many studies on financial education for students in the U.S, they however note that national surveys are lacking for most middle and low-income countries and that there is not enough cross country analysis of financial literacy levels and financial knowledge. This presents a knowledge gap.

The research done by the Retirement Benefits Authority (2011), acknowledges that financial and pension literacy levels amongst pension scheme members in Kenya averages 54.3%; with awareness on pension matters exceeding that of general finance matters. The research further indicates that literacy levels differ significantly across gender, education level, occupational level, participation in previous education and provinces.

The SACCO sub-sector is part of the larger cooperative movement in Kenya. There are mainly two broad categories of co-operatives: Financial co-operatives (Savings & Credit Co-operative Societies- SACCOs) and Non-financial co-operatives (includes farm produce and other commodities marketing co-operatives, housing, transport and investment co-operatives). In the recent past Savings and Credit Co-operatives (SACCOs) have witnessed faster growth than other co-operatives. The establishment of SACCO Societies Act 2008 places the licensing, supervision and regulation of deposit taking under the armpit of the SACCO Societies Regulatory Authority (SASRA). Through this new legal framework, prudential regulations have been introduced to guide SACCO’s growth and development (Procasur Africa, 2012).

Balozi SACCO was founded in the year 1975. The mandate of the society includes: To encourage thrift among its members by according them an opportunity to accumulate savings; To create and develop a source of funds for lending to qualified members at comparatively low and reasonable rates of interest; To provide an opportunity for its
individual members to improve their respective economic and social conditions, and; To perform the functions and exercise the powers designated for savings and credit co-operative societies under the applicable law.

According to the SACCO’s annual report and financial report (2013), Balozi boasts of a membership of 2744 with a market capitalization of Kshs. 5,518M. The membership of Balozi SACCO is drawn from employees who work in the US Embassy, USAID, Walter Reed Project, KK Guards, Peace Corps, British Broadcasting Corporation and any other organized groups that the Management Committee may deem fit and approved by delegates in the AGM from time to time.

This study sought to address the knowledge gap by determining the benefits of financial literacy on personal financial decisions by the Balozi SACCO members, determine the challenges to participation in finance literacy programs by Balozi SACCO members and to determine the strategies to improve finance literacy amongst Balozi SACCO members.

1.2 Statement of the Problem

The role of financial literacy with regard to investment is a question that many people grapple with. Many organizations which encompass SACCO members often try to find out whether there is a linkage between the investment decision made by their members and financial literacy. For most SACCO members, personal financial decisions or choices are not guided by any financial literacy. Financial literacy facilitates the decision making process and provides greater control of one’s financial future, more effective use of financial products and services, and reduces vulnerability to overzealous retailers or fraudulent schemes (Wachira and Kihiu, 2012).

Despite the significance of financial literacy, limited studies have been done so far in Kenya. For instance, Nzioki (2008) discussed the role of financial literacy with emphasis on USIU students while the research by Kiage (2010) highlighted the role of financial literacy in personal financial planning with specific reference to JKUAT students. Njuguna, Otsola, Mutanu and Thuku (2010) researched on financial and pension literacy in Kenya with focus only on the financial and pension literacy among pension scheme members. These studies have not directly addressed the role of financial literacy on personal financial decisions among SACCO members. Hence this study sought to
highlight the role of financial literacy in personal financial decisions made by Balozi SACCO members. Its main aim was to determine the benefits of financial literacy to members; determine the challenges faced by members in participation in financial literacy programs and the strategies to improve financial literacy.

1.3 General Objective

The general objective of the study was to determine the role of financial literacy on personal financial decisions made by members of Balozi SACCO.

1.4 Specific Objectives

This study was guided by the following specific objectives:

1.4.1 To determine the benefits of financial literacy on personal financial decisions made by members of Balozi SACCO;

1.4.2 To determine the challenges to participation in financial literacy programs by Balozi SACCO members; and

1.4.3 To determine the strategies to improve financial literacy amongst members of Balozi SACCO.

1.5 Justification of the Study

This study will be of importance to the following stakeholders:

1.5.1 Members of SACCOs

The study will provide useful information to members of SACCOs about making wise investments with the loans they get from SACCOs as well as the investment options available within the SACCO. The results will enlighten members on the importance of financial literacy in their financial planning and future wellbeing.

1.5.2 SACCOs

The study will enlighten SACCO managers on the importance of financial literacy for their members. Raising member awareness of personal financial management could
enhance wise investments with loans taken from SACCOs. This could also enhance higher returns to members in form of dividends if they plough back their returns in the SACCO. This could then lead to growth of financial bases of SACCOs.

1.5.3 Policy Makers

This study will provide useful information to policy makers especially in the cooperative movement sector on ways in which financial education can be incorporated into awareness days such as Ushirika day which is a day set aside for member education.

1.5.4 Investment Advisors

The study will help investment advisors to give the right information to suit the needs of the different calibers of clientele that they get.

1.5.5 Financial Educators

The research findings will enlighten financial educators on the importance of financial literacy to their clients. The study will enable them in determining the type of financial literacy programs to put in place and their content.

1.5.6 Researchers and Academicians

This study will contribute to the body of knowledge hence will be of interest to both researchers and academicians who seek to explore or investigate financial literacy and personal financial decisions.

1.6 Scope of the Study

The total population under study was 133 members of which only 100 SACCO members were targeted for the purpose of this study. The membership of Balozi SACCO is drawn from employees who work in the U.S. Embassy, USAID, Walter Reed Project, the KK Guards, Peace Corps, and British Broadcasting Corporation. However, this study concentrated mainly on the SACCO members who work in the U.S. Embassy compound in Gigiri, that is, employees drawn from the U.S. Embassy, USAID and the KK Guards. The research was carried out between January and May 2014.

The researcher experienced some constraints while carrying out the study. These included non-responsiveness, unwillingness to participate, biased and falsified information. The
researcher used the following strategies to mitigate against these constraints: ensuring high levels of confidentiality, use of follow-up calls to explain to respondents the importance of this study in improving their SACCO and designing a good questionnaire that helped the researcher in obtaining as much accurate data as possible.

1.7 Definition of Terms

1.7.1 Financial Literacy

Financial literacy is a measure of the degree to which one comprehends key financial concepts and possesses their ability and confidence to manage personal finances through appropriate short-term decision-making and sound, long-range financial planning, while mindful of life events and changing economic conditions (Remund, 2010).

Worthington (2005), defines financial literacy as the ability to make informed judgments and to take effective decisions regarding the use and management of money.

1.7.2 SACCOs

SACCOs are user-owned financial institutions that offer both savings and credit services to their members. Members of these financial institutions can be both net savers and net borrowers (USAID, 2006).

1.7.3 Balozi SACCO Member

According to the Balozi SACCO by laws (2009), this is an applicant who has been admitted to membership by the management committee and approved by the general meeting. The member qualifies for the rights and privileges of membership after paying an entrance fee as stipulated by the general meeting in the policies of the society.

1.8 Chapter Summary

This chapter highlights the background of the study, statement of the problem, general objective, specific objectives, justification of the study, scope of the study and definition of terms.
In chapter two, the researcher will review literature on the benefits of financial literacy on personal financial decisions, the challenges to participation in financial literacy programs and the strategies to improve financial literacy.

Chapter three will review the research methodology which encompasses the research design, population and sampling frame, data collection methods, research procedures and data analysis while chapter four will provide the results and findings of the study. Finally, chapter five will give the discussion of the findings, conclusion and recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

The chapter focuses on the literature review on the role of financial literacy on personal financial decisions. The study will go deeper in determining the benefits of financial literacy on personal financial decisions, the challenges to participation in financial literacy programs and strategies to improve financial literacy. The chapter lays emphasis on bringing out the various scholarly dimensions on these parameters with regard to financial literacy.

2.2 Benefits of Financial Literacy

2.2.1 Financial Satisfaction

Financial satisfaction as one the benefits associated with financial literacy is defined as satisfaction with one's income, ability to handle financial emergencies, amount of debt, level of savings, and money for future needs (Hira and Mugenda, 1998). One of the major components of financial satisfaction is the capacity to manage financial resources efficiently and effectively. The fulfillment of satisfaction is realized when the need at hand is achieved hence the conclusion that financial satisfaction as being the difference between desired and actual financial situation, a benefit associated with financial literacy. The different measures of financial satisfaction is by objective which encompasses factors such as income and wealth, and subjective which entails giving a comparison to a standard or reference point (Lown and Ju, 1992).

According to the studies by Rutherford and Fox (2010) financial satisfaction ought to be measured with the aid of a number of instruments to capture respondents’ feelings regarding their own financial situation. Other researchers (Berger, Powell, and Cook, 1988; Krannich, Riley, and Leffler, 1988; Lown and Ju, 1992) recommended that the most reliable and economical instrument to measure financial satisfaction is inclined towards a six-item index measuring one’s satisfaction with their own level of income, level of savings, amount of money owed, money for family necessities, money for future...
needs of the family, and their capability to handle financial emergencies. All these amount to financial literacy and personal financial decision making (Hira and Mugenda, 1999a; 1999b).

Financial satisfaction being a benefit associated with financial literacy can be measured using multiple items including but not limited to satisfaction with money saved, amount of money owed, current financial situation, ability to meet long term goals, preparedness to meet emergencies, and one’s financial planning and management skills. Joo and Grable (2004) nonetheless, recommended that a single item measure of financial satisfaction should be as effective and efficient as a multi item measure with regard to their one item 10 point stair step question where the respondents gave their honest opinion on their satisfaction level based on five point likert scale that is, 1-very unsatisfied and 5-very satisfied as highlighted by Xiao, Tang and Shim, (2009) as part of their study on financial behavior and life satisfaction of college students.

It is acknowledged that financial satisfaction is not pegged to a specific amount of money as this might make two people feel different degrees of satisfaction while faced with the same financial situation. This could mean that, one party may feel very satisfied while another might experience the same satisfaction, despite having similar financial resources (Rutherford and Fox, 2010). Despite this aspect of subjectivity, satisfaction with regard to personal financial affairs is seen to contribute to life satisfaction, a situation associated with financial literacy (Kapoor, Dlabay, and Hughes, 2007; Xiao et al., 2009).

According to Joo and Grable (2004) the process of learning how to handle money wisely is likely to contribute to financial satisfaction which in a nutshell contributes to financial literacy. Additionally, more research by Joo (2008) pointed out that financial satisfaction is a significant forecaster of financial literacy. The attainment of financial literacy or a good quality of life is regarded as an ongoing objective for people and a major decisive factor when it comes to evaluating governments and societies. This has led to an increase in variety of methods for assessing well-being over the years (Kahn and Juster, 2002). Kahn and Juster (2002), noted that scales of satisfaction-dissatisfaction and happiness-unhappiness still prevail and that subjective wellbeing is the most commonly assessed with the help of self-reports of satisfaction and dissatisfaction.

According to the studies, the young people regard themselves lucky in their financial affairs and financial literacy that is, are satisfied with the state of their finances have the
likelihood of showing financial wellness in relation to those who were felt unlucky (Rutherford and Fox, 2010). Financial well-being is defined as a state of being financially healthy, happy, and free from worry and is based on subjective appraisals of one’s financial situation (Joo, 2008).

2.2.2 Better Management of Personal Finances

A survey carried out amongst Minnesota employees on personal finances revealed that over 70% of the employees were not confident enough on their capacity and ability to make informed financial decisions both for themselves and their families when it came to investment decisions (MetLife, 2010). Moreover, the study further noted that about 64% of employees were worried about getting a reliable source to offer financial advice to propel them towards being able to realize their financial goals (MetLife, 2010). The study concluded that through that this process of acquiring new skills and knowledge in regard to personal finances, individuals are not only able to make smarter and more informed decisions but also increase their personal confidence on the ability to manage their personal finances which is a recipe to financial literacy associated with personal financial decision (MetLife, 2010).

The use of financial tools to assist individuals maximizes their resources and thus increase the money at their disposal enables them to realize their financial goals. It is assumed that those individuals who thoroughly understand and benefit from programs associated with financial literacy attach a higher value on them (Office of Personnel Management, 2005; Storms, 1999).

2.2.3 Substantial Returns

Multiple studies point to the fact that the wealth being of an individual brings forth a substantial return which is a positive effect with regard to financial literacy since the attainment of financial knowledge might be contributed to by the urge to manage one’s own wealth. This notion was mooted by theoretical frameworks of Delavande, Rohwedder, and Willis (2008) and Peress (2004).

According to Delavande et al. (2008) financial literacy is captured in the production function of human capital. It assumes that the inventory of financial literacy contributes to the expected return a household receives on their investment into the risky assets and at large the informed personal financial decision made by members. Furthermore, the
amount of wealth held in risky assets matters for the return on investment in financial literacy.

The models by Peress (2004) are theoretical to the investment of individuals in financial information. The argument is that investment in financial education and by large financial literacy gives room for investors to advance portfolio allocation while at the same time attain higher risk-adjusted returns. This argument is useful for individuals who make their own personal financial decisions and who obtain new information on the condition that marginal cost of information acquisition is equal to marginal benefit from investing, and is expressed as a function of wealth, risk tolerance and expected Sharpe ratio. Moreover, Peress (2004) acknowledges that below certain wealth verge marginal costs prevail over marginal benefits so that investors have no moral to invest in financial knowledge.

These theories were reinforced by the studies that financial literacy increases with the increase in wealth (Bernheim, 1998; Guiso and Jappelli, 2008; Worthington, 2004; Lusardi and Mitchell, 2008). In as much as wealth has been considered as a determinant of literacy, it is epitomized that financial literacy is a major factor of wealth accumulation (Guiso and Jappelli, 2008; Lusardi and Mitchell, 2007; Lusardi and Tufano, 2009; Alessie, Lusardi, and Van Rooij, 2007; 2008). Jappelli and Padula (2011) came up with a theoretical model of the consumer’s investment in financial literacy. This model highlights the fact that literacy and wealth are jointly determined and are correlated over the life of consumer. Whereas Monticone (2009) view the reverse causality problem empirically by adopting instrumental variables like interest rates on deposits, dummies on whether a household has a self-employed parent or whether a household lives in a house received as a gift or an inheritance. It is noted that wealth is a predictor of financial literacy, however, the impact of wealth is negligible and only households with considerable amount of wealth are encouraged to learn more.

2.2.4 Money Management

Money management involves personal savings which is brought about by financial literacy skills. Personal savings is one of the prudent options often pursued by entrepreneurs in generating startup capital.

Personal savings is widely seen as the most important source of finance accessible to entrepreneurs in forming a new business (GEM, 2003). Given the extremely high debt
ratios of consumers, savings have often been left behind and almost forgotten. The concerns of excessive debt and very low savings can be destructive, since they both play a very important role in overall personal financial health. Personal savings is regarded as the major source of finance that start-up entrepreneurs make use of. Moreover, due to the extremely high levels of debt, insufficient personal savings seem to be accessible (Kane-Berman & Tempest, 2007). This revelation could possibly lead to fewer new businesses being created due to the lack of funds (GEM, 2005).

The revelation that money management is only possible through the impaction of financial literacy skills clearly shows how beneficial the subject of financial literacy is with regard to personal financial decision making as a whole.

2.2.5 Budgeting and Record Keeping

Budgeting as a tool of financial management is capped on financial literacy. One cannot understand how a budget works without them having basic financial literacy skills and this goes along to include recording keeping. Therefore, budgeting and record keeping in one way or another depends on financial literacy.

According to the works of Kidwell & Turrisi (2004) budgeting is seen as being able to change spending patterns of individuals through the successful regulation of finances. Consequently, needless spending is restricted and budget maintenance is met with a favorable attitude. It was noted that 45.6 percent of students with better financial knowledge keep detailed financial records, compared with only 29 percent of the students with inferior financial knowledge. This came as a result of a research conducted by Chen and Volpe (1998), in which they pointed out that groups who are more knowledgeable regulate their spending patterns and decisions by keeping detailed financial records.

Budgeting and record keeping are thus driven by financial literacy and therefore important for individuals to possess these skills through the uptake of financial literacy education.

2.2.6 Retirement Planning

Transitioning from active working environment to retirement is one of the most difficult decisions often faced by individuals. This could be occasioned by them not being able to properly plan for retirement.
It is noted that lack of retirement related-knowledge could be widespread. Clark, Mellinda and Allen (2010) opine that many employees more so those in the U.S. and who are about to reach their retirement have a limited or lack knowledge of their company retirement benefits, and thus have delusions concerning their expected age of retirement, whereas Greenwald, Kapteyn and Schneider (2010) pointed out that knowledge about Social Security in the U.S. is low as well. Studies by Lusardi and Mitchell (2011a) revealed that in the U.S. there is lack of planning for retirement and this could be as a result of lack of financial literacy. With the aid of high school financial education being an instrument for financial literacy, their study shows that it has a causal effect on retirement planning as well.

Klapper & Panos (2011) noted that financial literacy is negatively correlated with private pension planning in Russia. While in Chile, Landerretche and Martinez (2011) established pension plan literacy leads to an upsurge in savings, and pension fund type switching. Furthermore, Skog (2006) acknowledged that that older, healthier, more educated, married male workers, and union members, higher income and workers at larger companies are more informed about the Chilean pension system.

This is a pointer that retirement planning is an effect of financial literacy hence the need to sensitize employees as they near the end of their work life into retirement.

2.2.7 Debt Management

Debt management is pegged on the ability of one to be financial literate hence their ability to make informed personal financial decision on how to minimize their debts.

Excess high debt levels is a propellant to one being susceptible to investment fraud, delinquency on credit cards and bankruptcy all of which are pointers to financial illiteracy in individuals (Kim, 2000). Apart from individuals, other stakeholders like in the case of many developed countries have excessive debt levels and diminishing savings, though they are endowed with abundant wealth and literacy as opposed to developing countries (Anthes, 2004). This scenario is again evident in South Africa where, after the mid-1980s’ deregulation of financial institutions, household debt amplified in excess of 30 percent (Aron and Muellbauer, 2000).

It is noted that the ratio of household debt to disposable income in South Africa has been shifting between 50.6 percent and 71.8 percent between 1996 and 2006. On the other
hand savings rates, have declined sharply, from as high as 8 percent in 1985 to about 0.52 percent of personal disposable income in 2006 (Kane-Berman & Tempest, 2007).

This confirms that debt management is dependent on the financial literacy levels both at personal and national levels.

2.3 Challenges to Participation in Financial Literacy Programs

2.3.1 Financial Constraints and Concerns

Finance literacy programs are administered by reputable institutions and attract finance experts drawn from far and wide hence their high cost (Lerman and Bell, 2006). This school of thought picks finance as being a hindrance factor as far as participation in financial literacy programs is concerned. According to VanDerhei and Yoboski (1996), SACCOs can play a lead role in encouraging their members to uptake financial literacy programs but most of the members fail to utilize the opportunities due to financial constraints.

Fear is an unpleasant feeling which appears when losing a value or threatening it. Financial concern appears when one cannot meet his financial needs or his assessment of financial status is not good (Friedman, 1991). Financial concerns usually consist of emotions like fear and anxiety which can negatively affect a person in making positive changes such as finding new jobs and improving their ability to manage financial issues (Tedeschi and Calhoun, 2004).

Financial concerns are associated with increased human physical and mental health issues hence hampering one’s ability to acquire the necessary financial literacy and personal financial decisions. There is a strong relationship between financial concerns and referral to psychological institutions, depression and suicide (Turkington, 1985). The results of Moser et al. (1984) showed that employed men are 20 percent more susceptible to disease as compared to unemployed men. Fox and Chancey (1998) suggested in their study that financial concerns are negatively related with a sense of personal well-being, self-esteem, satisfaction with marital life and family functioning. Peirce, Frone, Russell, and Cooper (2002) in their two-year study on 756 unemployed Americans looking for job found that financial concerns and pressure cause reducing physical health rank. They also found that financial concerns may increase the risk of depression and loss of control. Lange and Byrd (1998) achieved similar results in their study on New Zealand students. They have
reported that financial problems can make a person feel depressed and concerned and his physical health used up.

The benefits of financial concerns in the workplace have been proven in several studies. Studies have shown that financial concerns can result in lost productivity, reduced quality, quantity and efficiency of a worker and increased work-related accidents, absenteeism and chance of losing job. Financial concerns can also have positive benefits such as increased savings directly by employees, reduced absenteeism, improved employee participation, improved quality and productivity (Williams, Virginia and Sheran, 1996). The negative benefits of financial concerns on employees are more than their positive benefits in the workplace. Workers who have financial difficulties cannot work with their full capacity and ability and will impose costs for their employers. In a survey by Luther, Grasmick, Morgan and Wenk (1997) it was shown that workers' financial difficulties have a huge impact on employee productivity and job performance. This research also showed that workers' financial concerns impose high annual cost to the government and financial issues could have a negative impact on the motivation and preparedness for the work as compared with other problems.

2.3.2 Lack of Literacy Programs

Literacy programs are a determinant when it comes to the participation in financial literacy programs. In the absence of literacy programs, participation in financial literacy programs by SACCOs is likely to dwindle. Therefore, literacy programs are a catalyst to participation hence the need by SACCOs to promote financial literacy programs.

The only notable literacy programs available are those targeted towards students and youth, which in essence are offered as part of the school curriculum hence ignoring those individuals who are in SACCO based organizations. However, the benefits of such programs on financial literacy and behavior are still subject to scrutiny. Bernheim, Garrett and Maki (2001), in their studies on literacy programs, adopt a differences-in-differences approach to analyze the effect of the high school financial education mandates on savings behavior hence not addressing financial literacy in depth. Ideally, the study wanted to establish whether the respondents took part in any courses on work pertaining to household finances, consumer education, or economics. Those respondents who reported to having taken part in such coursework also confirmed that they had covered budgets,
credit, savings accounts and checking accounts. The rest of the respondents gave their views on whether the course work was fully backed by their schools. It is noted that lack or unavailability of literacy programs amongst SACCOs hinders their membership participation in financial literacy programs and thus affect their personal financial decision making.

The impact of the available literacy programs depends on the curriculum, the sample, and the methodology (Grimes, Rogers and Smith, 2010). McCormick (2009) provides a good overview of evaluations of youth financial education programs hence omitting those of other groups such as SACCOs. It is further noted that some of these available literacy programs start at a very early age; Grody, Grody, Kromann and Sutliff (2008) evaluate a pilot program for third-graders using age-appropriate materials that shows promising results, while Holden, Karen, Kock and Mohan (2010) provide a critical overview of financial education programs targeted towards pre-school children. The same study was also explored by Carlin and Robinson (2010) who adopted quasi-experimental design to study the benefits of a financial literacy course for high school students, one which involved role-playing fictitious budget situations for Junior Achievement Finance Park. They found that students who attended training were somewhat better.

2.3.3 Individual’s Commitments

According to Chen and Volpe (2002), one’s commitments can hamper their participation in financial literacy programs more so amongst SACCO members. This goes along to include those commitments occasioned by family related issues as acknowledged by Marcolin and Abraham (2006) who argue that an individual’s commitments is a recipe to their non-participation in SACCO related financial literacy programs.

Individuals find that they are busy either at work, in school, or with family engagements. Dividing time between various engagements is difficult as all these engagements can be very involving. Take for example the case of a working mother who also attends evening classes after work. It becomes very difficult for them to create time to attend financial literacy programs unless they are either offered by the employer or at school (Marcolin and Abraham, 2006).
2.3.4 Culture and Beliefs

The culture and beliefs that an individual bears is a factor as far as the participation in financial literacy programs is concerned. According to Arnone (2004) and Lusardi (2006) culture and belief is major hurdle when it comes to one’s participation in financial literacy programs. Marcolin and Abraham (2006) noted that in most cases single people are seen to be less financially literate as compared to those married with children or those single and have responsibilities like taking care of their extended families.

Moreover, Edmiston and Gillet-Fisher (2006) acknowledge that psychological processes like information processing, learning, and attitude or behavior change influences financial literacy. Nonetheless, the study does not incorporate the perception of financial education as important hindrances. Schellenberg, Turcotte and Ram (2005) allude to the fact that individuals with good health condition are likely to engage in financial literacy programs.

2.3.5 Lack of Sponsorship

Sponsoring an employee to take part in financial literacy programs is deemed to be of benefit to the individual employee but also to the sponsoring organization at large. Therefore organizations should be at the fore front in ensuring that their employees are financial literate (Lusardi, 2006).

The most notable ways through which employees show support in terms of sponsoring their employees for financial literacy programs is often through giving individuals time off to attend to the courses, offering finance courses close to the individuals as well as coming up with a basic finance education geared towards meeting the financial literacy need. Lusardi (2006) opines that providing financial support to individuals who in this case are the employees can aid in the participation in finance and pension literacy programs.

2.4 Strategies to Improve Financial Literacy

2.4.1 Better Accessibility to Financial Literacy Program Venues

The accessibility to financial literacy venues is paramount with regard to the actualization of financial literacy which in essence affects personal financial decisions made by SACCO members. It is noted that there are regional disparities in financial literacy, a
result of the surveys on awareness of financial terms and institutions, in reference to both urban and rural areas. This is an indicator to the differences in access to finance which is the usual norm in developing countries. For example, in Ghana, 52 percent of urban adults have commercial bank accounts, against 21 percent of rural adults. Whereas rural adults are deemed to seek the services of informal financial products, this usage only partially closes the access gap. Given that the level of urbanization is still quite low in many African countries like Malawi, for instance, only 16 percent of those polled reside in urban areas. This is a pointer to the fact that geographical location of an individual influences financial literacy programs participation in that they are not able to easily assess financial literacy venues (Bumcrot, Lin, and Lusardi, 2011).

There are also often other regional disparities in financial literacy and financial access within countries. In Malawi, for example, the Northern and Central regions are perceived to having better access to financial services than the Southern region. Furthermore, analogous patterns are found in high income countries such as Italy where the Centre-North region has a higher financial literacy rate than the South. This is attributed to the fact that high income is associated with high level of financial literacy hence one’s ability to make a good personal financial decision. Sometimes these patterns are more idiosyncratic in the States. For example, Bumcrot, et al., (2011) acknowledges that South Dakota and Idaho have higher levels of financial literacy than their demographic make-up would predict and the reverse is true for Pennsylvania, New Jersey, New York, and Connecticut.

Other studies have also highlighted geographic differences in financial literacy which in turn deter accessibility to financial literacy program venues. For instance, Fornero and Monticone (2011) acknowledge that there exists a wide variation in terms of financial literacy among Italian regions. Whereas there is the existence of a distinct north-south divide with regard to financial literacy with southern regions reporting much lower levels of financial knowledge as compared to the northern regions, there exist also sharp differences in financial literacy in reference to the regions in the north of Italy. Klapper and Panos (2011) as well point out the fact that there is a large geographic difference in financial literacy in Russia. In their work, these differences are particularly common in rural versus urban areas. This is in line with the work of other scholars that posits that in the absence of formal education, individuals gain financial literacy through interactions
with others, for instance their peers (Duflo and Saez, 2003, 2004; Van Rooij, Lusardi, and Alessie, 2011). This is common in areas with high population density like urban areas.

### 2.4.2 Use of Online Platform

Center for Retirement Research (2010) acknowledges that the adoption of online based platforms has created an avenue for interaction between the learners and their tutors. This has brought about virtual learning which is a strategy of financial literacy. Members are of the opinion that through financial literacy they will be able to make sound financial decision. Recently there has been an upsurge in the use of online learning platforms and approaches to financial literacy that not only offer promising, but also methods of raising financial literacy amongst SACCO members. According to Center for Retirement Research (2010) there exist more than 4,000 personal finance websites that portions web-based financial education and decision tools into three components that is, financial data aggregators, financial decision tools and above all, personal finance online communities.

The adoption of user friendly devices such as financial data aggregators is seen to provide the users with the necessary tools to better comprehend their own financial position as well as find the way through different types of financial products through online navigation. This has helped boost financial literacy amongst SACCO members. In as much as the websites are seen not to provide financial information, they do not deter the fact that these websites assist in the quest for financial literacy knowledge. It is seen that the challenges could be sorted out with the adoption of government agency managed websites since this would mitigate problems associated with perceived lack of independence. This has so far worked in a country like New Zealand. The website Sorted.org.nz, is managed by the New Zealand Retirement Commission, and it is tailored towards individuals in each phase of life (Center for Retirement Research, 2010).

According to Center for Retirement Research (2010), the online platforms provide numerous options through which the users can navigate and help boost their financial literacy. For example, financial decision tools are websites that help users make specific financial decisions, such as taking out a mortgage or retiring which all narrows down to personal financial decision making. Moreover, personal finance communities are user-driven online communities that serve the purpose of providing advice and aggregating data which are key to personal financial decision amongst SACCO members. The
common drawback that is associated with online communities is reliability and credibility of information though this cannot influence the adoption of online communities to a larger extent amongst the users. The most common web-based approaches include online tutorials and simulation games which provide the users with knowledge which boosts their ability to sharpen financial literacy. Simulations are seen to majorly focus on hypothetical and in a few cases electronic, or avatar individuals who have to make representative financial decisions at every stage of their life. The objective is to motivate the users to think about those hypothetical decisions, and know how to find their way in the hope that the lessons of the simulation will be instrumental in real life financial decision making. Depending on the design of the tutorial or simulation, different financial lessons may be brought to the fore with regard to personal financial decision (Center for Retirement Research, 2010).

2.4.3 Sponsorship

Cost is seen as a hindrance towards the realization of financial literacy in organizations. Therefore sponsorship could be an ideal way of promoting participation in financial literacy programs. First, this could be explained in terms of limited demand for formal financial services. Moreover, this could also be as a result of these services being expensive to offer. Secondly, it could be that low income individuals do not seek formal financial services at market prices. Indeed, it is evident that informal savings, credit, and insurance markets plays a reasonable role in emerging markets, and the benefits of formal financial market participation might not exceed the relatively large fixed transactions costs relating to those products (Beck, Demirguc-Kunt and Patrick, 2008). Furthermore, limited financial literacy acts as a significant barrier to demand for services: In the case where individuals are not comfortable or familiar with products, they do not demand them.

Milne, VanDerhei and Yoboski (1996) posit that it is therefore the jurisdiction of the employers to play a lead role in motivating their employees to undertake financial literacy programs through sponsorship. With the absence of such initiative by the employer the employees have no otherwise but tend to be non-committal in embracing financial literacy programs citing the cost implications.
Time is considered a constraint when it comes to the actualization of financial literacy in membership of SACCOs. The timings for the literacy programs sessions might to be convenient to SACCO members hence their abstinence due to lack of sponsorship from their respective sponsors (Beck et al., 2008). It is therefore important for the SACCO leadership to craft a friendly training calendar so as to reach out to a wider membership and at the same time give ample time for potential sponsors to make their feedback known as this would spur financial literacy.

2.4.4 Flexible Scheduling

The scheduling of the financial literacy programs indeed influences the attendance by SACCO members. It is noted that there is regional disparities in financial literacy brought about by the differences in time, as a result of the surveys on awareness of financial terms and institutions, in reference to both urban and rural areas. This is an indicator to the differences in access to finance which is the usual norm in developing countries. For example, in Ghana, 52 percent of urban adults have commercial bank accounts, against 21 percent of rural adults. Whereas rural adults are deemed to seek the services of informal financial products, this usage only partially closes the access gap. Given that the level of urbanization is still quite low in many African countries like Malawi, for instance, only 16 percent of those polled reside in urban areas. This is a pointer to the fact that time differences brought about by geographical location of an individual influences the financial literacy hence the need to adopt a flexible schedule for the purpose of rolling out all inclusive financial literacy program.

There are also other regional disparities in financial literacy and financial access within countries occasioned by time factors. In Malawi, for example, the Northern and Central regions are perceived to having better access to financial services than the Southern region. Furthermore, analogous patterns are found in high income countries as well, for example in Italy where the Centre-North region has a higher financial literacy rate than the South. This is attributed to the fact that high income is associated with high level of financial literacy hence the one’s ability to make a good personal financial decision. Consequently, Germany where the West does better than the East. Sometimes these patterns are more idiosyncratic in the States, Bumcrot et al. (2011) acknowledges that South Dakota and Idaho have higher levels of financial literacy than their demographic
make-up would predict and the reverse is true for Pennsylvania, New Jersey, New York, and Connecticut.

Other studies have also highlighted geographic differences in financial literacy attributed to time factors. For instance, Fornero and Monticone (2011) acknowledge that there exists a wide variation in terms of financial literacy among Italian regions. Whereas there is the existence of a distinct north-south divide with regard to financial literacy with southern regions reporting much lower levels of financial knowledge as compared to the northern regions, there exist also sharp differences in financial literacy in reference to the regions in the north of Italy. Klapper and Panos (2011) as well point out the fact that there is a large geographic difference in financial literacy in Russia. In their work, these differences are particularly common in rural versus urban areas. This is in line with the work of other scholars that posits that in the absence of formal education, individuals gain financial literacy through interactions with others, for instance their peers (Duflo and Saez 2003, 2004; Van Rooij et al. 2011), this is common in areas with high population density, such like urban areas.

2.4.5 Incorporating Financial Literacy in School Curriculums

Financial literacy plays a significant role not only in the wellbeing of the nation but also in an individual therefore the need to incorporate it in the school teaching curriculum.

Lerman and Bell (2006) point to high schools as the best bet in terms of education avenues where financial literacy program should be launched. It is believed that at high school level, education is perceived to be compulsory hence having a wider audience and participants. The learners are positioned at the best position in terms of age where they are in the process of developing life skills.

Alluding to the large-scale, biennial surveys of high school seniors conducted by the Jump$tart Coalition for Personal Financial Literacy, consistently established that students who had taken a high school class either in personal finance or money management were more financially literate compared to those who had not (Mandell, 2009). The study adopted a financial literacy index based on the students’ responses as well as age relevant questions. The research took into account income, money management, savings and investing, and spending and credit. It is worth noting that six researches have been administered from 1997 through 2008, and the average grade has never exceeded 58%.
Moreover, students who took a full semester high school class either in money management or personal finance were seen to be more financially literate as opposed to their counterparts who had not taken such a course. Mandell and Klein (2007) provided an argument in support of this scenario by highlighting the role of student motivation as a contributor to financial literacy of respondents. Furthermore, they pointed to the fact that motivated adults benefit from targeted financial education thus the need to initiate the program in school curriculum.

Studies by other scholars also reveal that those who completed university or college degree are more likely to be financially knowledgeable compared to those with low education level (Lusardi and Mitchell, 2006; 2008) hence the need to incorporate financial literacy in school curriculum. Mandell (2004; 2008) reinforces the fact that there exist a correlation between literacy and education at the early stages of lifecycle. It is therefore the jurisdiction of Balozi SACCO to craft a user friendly curriculum on financial literacy programs so as to spur financial literacy knowledge amongst its’ members.

2.4.6 Adoption of Practical Approaches in Administering Financial Literacy Programs

The best way to drive the message home is to adopt practical approaches since different people learn things differently. For instance there are those who internalize information through audio or visual while others learn by mimicking. It is on this backdrop that the use of practical approaches as far as the teaching of financial literacy is concerned.

Chen and Volpe (2002) acknowledge the need to craft a financial literacy course for women that will be administered by considering their educational background, life experiences and socio-economic status since they tend to be sidelined by the conventional finance literacy curriculums. It is seen that incorporating finance and pension literacy courses in high school curriculums as a moderate strategy is one of the best ways in fostering financial literacy.

In order for Balozi SACCO to reach out to a large number of their members, they have to employ the best methods that resonate well with their members. For instance, they could use testimonials from successful members of other SACCOs to demonstrate to their own members that in deed practical approaches foster delivery of financial literacy messages.
2.5 Chapter Summary

The chapter focused on the views of other scholars on the benefits of financial literacy on personal financial decision made by Balozi SACCO members, challenges faced in the administration of financial literacy programs and the strategies to improve financial literacy amongst members of Balozi SACCO.

The next chapter will look into the research methodology. This will include the research design, population and sampling design, data collection, research procedure and data analysis.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides a discussion of the research methodology that will be used in this study. It discusses the research design especially with respect to the choice of the design. It also discusses the population of study, sample and sampling techniques, data collection methods as well as data analysis and data presentation methods to be employed in the study.

The main purpose of this study was to determine the role of financial literacy in personal financial decisions with specific reference to Balozi SACCO members.

3.2 Research Design

The research design was both qualitative (descriptive) and quantitative in nature. Descriptive statistics is that branch of statistics that deals with the collection, organizing, summarizing and presentation of sample data (Harshbarger and Reynolds, 2007). Descriptive statistics is therefore, critical in drawing conclusions and describing characteristics associated with the subject population from which the sample was drawn. It discovers and measures cause and effect relationships among variables (Cooper and Schindler, 2001).

In this study descriptive research design was used to determine the role of financial literacy in the personal financial decisions made by members of Balozi SACCO. Personal financial decision being a thorny issue amongst potential and current investors, the study thought it wise to give more insight as far as this subject is concerned.

This study adopted the use of survey to collect data from the respondents. Sarandakos (2005) defines surveys as methods of data collection in which information is gathered through oral or written questioning. In order to reinforce the research design, the study adopted the use of structured questionnaires to collect primary data from Balozi SACCO members.

3.3 Population and Sampling Design

3.3.1 Population

A population is an entire group of individuals, events or objects having common observable characteristics (Muro, Magutu & Getembe, 2013). This represents the entire set of units of
analysis or the total collection of elements on which inference is to be made (Cooper and Schindler, 2001).

In this study, the target population comprised 100 out of 133 members of Balozi SACCO drawn from U.S. Embassy, USAID and the KK Guards.

Table 3.1 Population Distribution

<table>
<thead>
<tr>
<th>Category</th>
<th>Population</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Embassy</td>
<td>74</td>
<td>56</td>
</tr>
<tr>
<td>USAID</td>
<td>35</td>
<td>26</td>
</tr>
<tr>
<td>KK Guards</td>
<td>24</td>
<td>18</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>133</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Balozi SACCO (2014).

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

The sampling frame refers to the register from which the sample is drawn and it has to be closely related or similar to the population (Cooper and Schindler, 2011). It represents a complete and correct list of population of members only (Cooper and Schindler, 2001). In this study, the sample frame was 100 members out of the 133 SACCO members of Balozi drawn from U.S. Embassy, USAID and the KK Guards. The sampling frame for this study was obtained from Balozi SACCO.

3.3.2.2 Sampling Technique

In this study stratified random sampling technique was employed to collect data. This is a probability sampling procedure in which the target population is divided into a number of strata, and a sample is drawn from each stratum (Sarandakos, 2005).

In this study, the Sacco members were grouped depending on their work station broken down into: USAID, US Embassy and the KK Guards. The strength of this technique lies in its ability to allow all population groups to be represented in the final sample (Sarandakos, 2005), thus, reducing variability. It is economical and offers a high degree of representativeness.
3.3.2.3 Sample Size

A sample size refers to a subset of the population (Collis and Hussey, 2009). This gives the entire number of population elements from which data is to be actually collected. A sample size of 100 will be selected from a total population of 133 SACCO members’ employees. The sample size selected is due to members’ availability, time and cost of data collection. The desired level of confidence for this study is 95%, with the scientifically acceptable margin of error of 5%.

Since the research design for this study is based on a simple random sample, the sample size required was calculated as follows:

Where:

\[ n = \frac{N}{1 + N(e)^2} \]

\[ n = \frac{133}{1 + 133(0.05)^2} \]

\[ n = 99.81 \approx 100 \]

The study will therefore have sample size of 100 as shown in table 3.2.

**Table 3.2 Sample Size Distribution**

<table>
<thead>
<tr>
<th>Category</th>
<th>Population</th>
<th>Sample size</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Embassy</td>
<td>74</td>
<td>56</td>
<td>56</td>
</tr>
<tr>
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<td>35</td>
<td>26</td>
<td>26</td>
</tr>
<tr>
<td>KK Guards</td>
<td>24</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>133</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Balozi SACCO (2014).

The intended sample sizes were selected randomly from each category and the coded questionnaires administered during the official working hours.
3.4 Data Collection Methods

Primary data was collected using a questionnaire developed in line with the specific objectives. The questionnaire was crafted in four parts; the first part covered the demographic characteristics of the respondents, part two tackled the benefits of financial literacy on personal financial decision, the third part handled challenges to the implementation of financial literacy programs and the fourth part handled the strategies to improve financial literacy.

Sarandakos (2005) posits that questionnaires are stable, consistent, and uniform offering a considered and objective view of issues, since respondents can consult their files. This will therefore allow drawing of valid inferences from the study.

The questionnaire consisted of both open-ended and closed ended questions covering the variables of study. The questionnaire also employed both dichotomous as well as likert scale questions. Open-ended questions permit free responses from the respondents, without providing or suggesting any structure for the replies. The close ended questions enabled responses of the respondents to be limited to stated alternatives (Bryman and Bell, 2003). These alternatives were designed in such a way as to be simple for the respondents to understand. The use of close ended questions method was adopted because it enables isolation of the responses from external influences (Bryman and Bell, 2003) unlike the open ended questions which give the respondents total freedom to express their views and attitudes in unbiased manner.

3.5 Research Procedure

The questionnaire was piloted on five participants drawn from the targeted SACCO membership. These five respondents who took part in the pilot study were not included in the study. The questionnaires were personally administered at the working offices. The pilot study enabled the researcher to be familiar with the research and its administration procedure as well as identify items that require modification. The result helped the researcher to correct inconsistencies arising from the data collection tool, which ensured that it measured what it was intended to.

Pre-testing of the questionnaire also aided in ensuring the validity of the research instrument. It provided the best opportunity for the researcher to seek honest opinions of experts in the
field of study especially the researcher’s supervisor and the targeted population whom in this case are Balozi SACCO members. It also ensured that the necessary revision and modification, if any, is made on the research instrument prior to the actual study. The study provided anonymity to the respondents and responses were treated with utmost confidentiality in order to realize a high response rate.

Upon data collection, the responses to the open ended questions underwent cleaning and thereafter coding and analysis using Statistical Package for Social Sciences (SPSS) program in order to develop a quantitative inference to the subjects of study. Moreover, the results were then presented in the form of tables and figures so as to establish whether the various observations made represent the entire population of study, or if they are in any way biased towards the various sections of the population.

3.6 Data Analysis Method

The collected data was well examined and checked for completeness and comprehensibility. The data was then summarized, coded and tabulated. Data cleaning then was then done and tabulated. The tabulated data was analyzed with the help of the Statistical Package for Social Sciences that has data handling and statistical analysis capability that can analyze data statistics and generate descriptive statistics.

Data presentation was done by the use of tables and graphs. The purpose of presentation of data was to highlight the results and to make data or results more illustrative by presenting in the form of figures and tables so that it is easy to observe general trends.

Analysis involves the categorizing, manipulating and summarizing of data to in order to obtain answers to research questions. It comprises reducing accumulated data to a manageable size, developing summaries, looking for patterns, and applying statistical techniques (Cooper and Schindler, 2003).

In trying to establish the nature of relationship that exist between the variables of benefits of financial literacy and the variables of financial literacy strategies the study adopted the use of correlation analysis. The use of T-test value of 2 was adopted for the purpose of testing for the significance level between the various variables of the study objectives. Frequency distribution was another descriptive statistics technique used to analyze the findings.
3.7 Chapter Summary

The chapter covered the type of research design used to carry out the study. The research design used was descriptive in nature focusing on the role of financial literacy on personal financial decisions of Balozi SACCO members. Population, sampling technique, sample frame and sample size used have all been described. The major method of collecting primary data was through the use of a structured questionnaire which was developed by the researcher based on the specific objectives. Descriptive statistics were analyzed through the data analysis tools, Statistical Package for Social Sciences (SPSS) program and Ms Excel.

The next chapter presents the results and findings of the research.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

The purpose of this study was to establish the role of financial literacy on personal financial decisions made by members of Balozi SACCO.

The first section presents the general information, that is, the place of work of respondents, duration worked by the respondents, level of education, income level of respondents, level of saving, financial course attendance, place of attendance and finance courses done. Section 4.3 covers the responses on the benefits of financial literacy on personal financial decisions while section 4.4 reviews the challenges to participation in financial literacy programs and section 4.5 outlines the strategies to improve financial literacy.

The questionnaires were administered in May 2014. Data was collected from one hundred (100) respondents out of target population of one hundred and thirty three (133). There was a 75% response rate. The results are presented below.

4.2 General Information

This section presents the general information on; work place of the respondents, duration worked by the respondents, level of education, income level of respondents, level of saving, financial course attendance, place of attendance and finance courses done.

4.2.1 Work Place of the Respondents

The study sought to determine the work place of the respondents and the findings in table 4.1 shows that 47% work at the U.S Embassy, 14% USAID and KK Guards at 39%.
Table 4. 1 Work Place of Respondents

<table>
<thead>
<tr>
<th>Work Place</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>U.S Embassy</td>
<td>47</td>
</tr>
<tr>
<td>USAID</td>
<td>14</td>
</tr>
<tr>
<td>KK Guards</td>
<td>39</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

4.2.2 Duration Worked by Respondents

The study sought to establish the duration worked by the respondents and the findings in table 4.2 shows that the respondents who have worked less than 5 years were 41%, 6-11 years 39%, 12-17 years 8%, 18-23 years 7% and over 24 years were 5%.

Table 4. 2 Duration Worked by Respondents

<table>
<thead>
<tr>
<th>Duration Worked</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Less than 5 years</td>
<td>41</td>
</tr>
<tr>
<td>6-11 years</td>
<td>39</td>
</tr>
<tr>
<td>12-17 years</td>
<td>8</td>
</tr>
<tr>
<td>18-23 years</td>
<td>7</td>
</tr>
<tr>
<td>Over 24 years</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

4.2.3 Level of Education of Respondents

The study sought to establish the level of education of the respondents and the findings in figure 4.1 shows that 48% were university, 30% high school and 22% college, technical school/polytechnic.
4.2.4 Length of Membership to Balozi SACCO

The study sought to determine how long the respondents had been members of Balozi SACCO. The findings in table 4.3 show that the respondents who been Balozi members for less than 5 years were 41%, 6-11 years 39%, 12-17 years 8%, 18-23 years 7% and over 24 years were 5%.

Table 4.3 Length of Membership to Balozi SACCO

<table>
<thead>
<tr>
<th>Length of Membership to Balozi SACCO</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Less than 5 years</td>
<td>41</td>
</tr>
<tr>
<td>6-11 years</td>
<td>39</td>
</tr>
<tr>
<td>12-17 years</td>
<td>8</td>
</tr>
<tr>
<td>18-23 years</td>
<td>7</td>
</tr>
<tr>
<td>Over 24 years</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

4.2.5 Income Level of Respondents

The study sought to establish the income level of the respondents and the findings in table 4.3 show that 27% earn between Kshs. 5,000-20,000 p.m., 16% earn between Ksh. 21,000-40,000 p.m., 0% earn between Ksh. 41,000-60,000 p.m., 5% earn between Ksh. 61,000-
80,000 p.m., 3% earn between Ksh. 81,000-100,000 p.m. and finally 49% earn over Ksh. 100,000 p.m.

Table 4.4 Income Level of Respondents

<table>
<thead>
<tr>
<th>Income Level (Per Month)</th>
<th>Distribution</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5,000-20,000 KES</td>
<td>27</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21,000-40,000 KES</td>
<td>16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>41,000-60,000 KES</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>61,000-80,000 KES</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>81,000-100,000 KES</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over 100,000 KES</td>
<td>49</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
<td>100</td>
</tr>
</tbody>
</table>

4.2.6 Level of Saving

Most of the respondents who indicated that they save between 0-5% of their earnings accounted for 36%, 6-10% polled at 29%, those who saved between 11-15% were 5%, 16-20% were 2% while those who saved above 20% of their earnings were 27%.

Figure 4.2 Level of Saving
4.2.7 Finance Course Attendance

Majority of the respondents at 55% indicated that they have attended finance course while 45% indicated to not having attended a finance course.

![Figure 4. 3 Financial Course Attendance](image)

4.2.8 Place of Attendance

Majority of the respondents at 51% indicated that they attended the finance course at college while those who attended those courses at the university were 45% with other areas of attendance such as seminars and conferences accounting for 4%.

![Figure 4. 4 Place of Attendance](image)
4.2.9 Courses Done

The research sought to find out the courses done by the respondents. The results shows that 35% of the respondents did ACCA, 22% indicated accounting and finance, financial planning and management accounted for 18%, Bcom 9%, budgeting, Msc, finance and CPA were 3%, MBA, accounting, MBA, project management and KATC were all at 2% while microfinance polled at 1%.

Table 4.5 Finance Courses Done

<table>
<thead>
<tr>
<th>Course Done</th>
<th>Distribution</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percentage</td>
</tr>
<tr>
<td>ACCA</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Accounting and Finance</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>Bcom</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>CPA</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Budgeting</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Financial Planning and Management</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Microfinance</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>KATC</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>MBA, Project Management</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>MBA, Accounting</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Msc, Finance</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
4.3 Benefits of Financial Literacy on Personal Financial Decisions

This section presents data on the benefits of financial literacy on personal financial decisions.

4.3.1 T Test for the Benefits of Financial Literacy of Personal Financial Decisions

Table 4.6 T Test for the Benefits of Financial Literacy

<table>
<thead>
<tr>
<th>One-Sample Statistics</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial satisfaction</td>
<td>100</td>
<td>4.2900</td>
<td>.91337</td>
<td>.09134</td>
</tr>
<tr>
<td>Personal finances</td>
<td>100</td>
<td>4.4400</td>
<td>.92463</td>
<td>.09246</td>
</tr>
<tr>
<td>Substantial returns</td>
<td>100</td>
<td>4.2600</td>
<td>.84829</td>
<td>.08483</td>
</tr>
<tr>
<td>Money management</td>
<td>100</td>
<td>4.5500</td>
<td>.65713</td>
<td>.06571</td>
</tr>
<tr>
<td>Budget and financial records</td>
<td>100</td>
<td>4.5800</td>
<td>.79366</td>
<td>.07937</td>
</tr>
<tr>
<td>Retirement planning</td>
<td>100</td>
<td>4.8300</td>
<td>6.61693</td>
<td>.66169</td>
</tr>
<tr>
<td>Debt management</td>
<td>100</td>
<td>4.2200</td>
<td>.89420</td>
<td>.08942</td>
</tr>
<tr>
<td>Understanding</td>
<td>100</td>
<td>4.6800</td>
<td>.61759</td>
<td>.06176</td>
</tr>
<tr>
<td>Financial markets</td>
<td>100</td>
<td>4.6800</td>
<td>.61759</td>
<td>.06176</td>
</tr>
</tbody>
</table>

Using a test value of 2, majority tended to agree with a mean of 4.8 for retirement planning as a benefit associated with financial literacy and personal financial decisions, understanding financial markets (mean of 4.7), both money management and budget and record keeping (mean of 4.6), both financial satisfaction and substantial return (mean 4.3), personal finances (mean of 4.4) and finally debt management with a mean of 4.2.

Table 4.7 One-Sample Test For Benefits of Financial Literacy

<table>
<thead>
<tr>
<th>Test Value = 2</th>
<th>Financial satisfaction</th>
<th>Personal finances</th>
<th>Substantial returns</th>
<th>Money management</th>
<th>Budget and record keeping</th>
<th>Retirement planning</th>
<th>Debt management</th>
<th>Understanding</th>
<th>Financial markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>Mean Difference</td>
<td>2.2900</td>
<td>2.4400</td>
<td>2.2600</td>
<td>2.5500</td>
<td>2.5800</td>
<td>2.8300</td>
<td>2.2200</td>
<td>2.6800</td>
<td></td>
</tr>
</tbody>
</table>
The results in table 4.7 above show that there is significant relationship between the benefits of financial literacy and personal financial decision. Financial satisfaction has $p<.001$, personal finances ($p<0.001$), substantial returns ($p<0.001$), money management ($p<0.001$), budget and financial records ($p<0.001$), retirement planning($p<0.001$), debt management ($p<0.001$) and understanding financial markets ($p<0.001$).

### 4.3.2 Other Benefits of Financial Literacy on Personal Financial Decisions

Other benefits of financial literacy on personal financial decisions as captured from the respondents’ feedback include; appraisal of investment opportunities, tax compliance, additional savings and predicting the growth curve of the investment model.

### 4.4 Challenges to Participating in Financial Literacy Programs

This section presents data on the challenges in participating in financial literacy programs.

#### 4.4.1 T Test for Challenges to Participating in Financial Literacy Programs

<table>
<thead>
<tr>
<th>Table 4.8 T Test for Challenges to Participating in Financial Literacy Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Financial constraints</td>
</tr>
<tr>
<td>Lack of financial literacy programs</td>
</tr>
<tr>
<td>Personal commitments</td>
</tr>
<tr>
<td>Inaccessible venues</td>
</tr>
<tr>
<td>Cultures and beliefs</td>
</tr>
<tr>
<td>Lack of interest</td>
</tr>
<tr>
<td>Lack of sponsorship</td>
</tr>
</tbody>
</table>

Using a test value of 2, most of the respondents pointed out that financial constraints, lack of financial literacy programs and lack of sponsorship as being the main challenges to participating in financial literacy programs hence scoring a mean of 3.5. Personal commitments were other impediments to participation in financial literacy programs (mean of 3.4), culture and beliefs (mean of 3.1), inaccessible venues (mean of 2.8) while lack of interest recorded a mean of 2.4.
### Table 4.9 One-Sample Test For Challenges of Financial Literacy

<table>
<thead>
<tr>
<th>Challenge</th>
<th>T</th>
<th>Df</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial constraints</td>
<td>12.738</td>
<td>99</td>
<td>.000</td>
<td>1.52000</td>
<td>1.2832 - 1.7568</td>
</tr>
<tr>
<td>Lack of financial literacy programs</td>
<td>12.429</td>
<td>99</td>
<td>.000</td>
<td>1.45000</td>
<td>1.2185 - 1.6815</td>
</tr>
<tr>
<td>Personal commitments</td>
<td>11.448</td>
<td>99</td>
<td>.000</td>
<td>1.41000</td>
<td>1.1656 - 1.6544</td>
</tr>
<tr>
<td>Inaccessible venues</td>
<td>7.031</td>
<td>99</td>
<td>.000</td>
<td>.81000</td>
<td>.5814 - 1.0386</td>
</tr>
<tr>
<td>Cultures and beliefs</td>
<td>7.612</td>
<td>99</td>
<td>.000</td>
<td>1.14000</td>
<td>.8428 - 1.4372</td>
</tr>
<tr>
<td>Lack of interest</td>
<td>2.707</td>
<td>99</td>
<td>.008</td>
<td>.36000</td>
<td>.0962 - .6238</td>
</tr>
<tr>
<td>Lack of sponsorship</td>
<td>11.459</td>
<td>99</td>
<td>.000</td>
<td>1.47000</td>
<td>1.2155 - 1.7245</td>
</tr>
</tbody>
</table>

The above table 4.9 indicates that there is a significant relationship between challenges to participation in financial literacy programs and personal decision. Financial constraints as a challenge has \( p < 0.001 \), lack of financial literacy program (\( p < 0.001 \)), personal commitments (\( p < 0.001 \)), inaccessible venues (\( p < 0.001 \)), culture and beliefs (\( p < 0.001 \)), lack of interest (\( p < 0.001 \)) and lack of sponsorship (\( p < 0.001 \)).

#### 4.4.2 Other Challenges to Participating in Financial Literacy Programs

The results from the respondents also captured other challenges deemed to be hindrance to the participation in financial literacy programs. The mentioned hindrances include; ignorance, frequency of course offering, technical language use and lack of organizational support.

40
4.5 Strategies to Improve Financial Literacy

This section presents data on the strategies to improve financial literacy.

4.5.1 T Test for Strategies to Improve Financial Literacy

Table 4.10 T Test for Strategies to Improve Financial Literacy

<table>
<thead>
<tr>
<th>One-Sample Statistics</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accessibility of programs</td>
<td>100</td>
<td>3.8800</td>
<td>1.18305</td>
<td>.11830</td>
</tr>
<tr>
<td>Use of Online platform</td>
<td>100</td>
<td>3.8700</td>
<td>1.04112</td>
<td>.10411</td>
</tr>
<tr>
<td>Sponsorship</td>
<td>100</td>
<td>3.5300</td>
<td>1.27489</td>
<td>.12749</td>
</tr>
<tr>
<td>Flexible scheduling</td>
<td>100</td>
<td>4.3700</td>
<td>.79968</td>
<td>.07997</td>
</tr>
<tr>
<td>Incorporate in School curriculum</td>
<td>100</td>
<td>4.1300</td>
<td>.89505</td>
<td>.08950</td>
</tr>
<tr>
<td>Use of Practical approaches</td>
<td>100</td>
<td>4.3700</td>
<td>.79968</td>
<td>.07997</td>
</tr>
<tr>
<td>Change of attitude</td>
<td>100</td>
<td>4.1800</td>
<td>.99879</td>
<td>.09988</td>
</tr>
</tbody>
</table>

Using a test value of 2, majority of the respondents observed that accessibility of programs, use of online platform, sponsorship, flexible scheduling, school curriculum, practical approaches and change of attitude are some of the strategies used to promote financial literacy. It is noted that flexible scheduling and practical approaches were highly ranked by the respondents by scoring a mean of 4.4, change of attitude scored a mean of 4.2; incorporating financial literacy programs in school curriculums had a mean of 4.1 while both accessible programs and online platform scored a mean of 3.9 with sponsorship garnering a mean of 3.5.
Table 4.11 Above shows that there is significant relationship between strategies to improve financial literacy and personal financial decision. The results indicate that accessibility of program venues has $p < 0.001$, use of online platform ($p < 0.001$), sponsorship ($p < 0.001$), flexible scheduling ($p < 0.001$), incorporating financial literacy in school curriculum ($p < 0.001$), use of practical approaches ($p < 0.001$) and change of attitude ($p < 0.001$).

4.5.2 Other Strategies to Improve Financial Literacy

The respondents’ indicated that incorporating financial management as part of syllabus, organizing exchange programs with other SACCOs and organizing mobile trainings are other strategies that can help improve financial literacy.

4.5.3 Correlation Between Financial Satisfaction and Financial Literacy Strategies

Table 4.12 Correlation Between Financial Satisfaction and Financial Literacy Strategies

<table>
<thead>
<tr>
<th>Financial Satisfaction</th>
<th>Strategies</th>
<th>Kendall's tau-b ($\tau$)</th>
<th>Spearman's rho ($\rho$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accessibility of programs</td>
<td>.285**</td>
<td>.315**</td>
<td></td>
</tr>
<tr>
<td>Online platform</td>
<td>.366**</td>
<td>.421**</td>
<td></td>
</tr>
<tr>
<td>Flexible scheduling</td>
<td>.266**</td>
<td>.294**</td>
<td></td>
</tr>
<tr>
<td>School curriculum</td>
<td>.484**</td>
<td>.514**</td>
<td></td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed)
*Correlation is significant at the 0.05 level (2-tailed)
strong significant correlation between financial satisfaction and accessibility of financial literacy programs, financial satisfaction and use of online platform, financial satisfaction and flexible scheduling, and financial satisfaction and incorporating financial literacy programs in the school curriculum.

4.5.4 Correlation Between Substantial Returns and Financial Literacy Strategies

Table 4.13 Correlation Between Substantial Returns and Financial Literacy Strategies

<table>
<thead>
<tr>
<th>Substantial returns</th>
<th>Strategies</th>
<th>Kendall's tau-b (τ)</th>
<th>Spearman's rho (ρ)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Online platform</td>
<td>.366**</td>
<td>.421**</td>
</tr>
<tr>
<td></td>
<td>Flexible scheduling</td>
<td>.266**</td>
<td>.294**</td>
</tr>
<tr>
<td></td>
<td>School curriculum</td>
<td>.484**</td>
<td>.514**</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed)
*Correlation is significant at the 0.05 level (2-tailed)

On correlating substantial returns and financial literacy strategies it was established that there is a strong significant correlation between substantial returns and use of online platform, substantial returns and flexible scheduling, substantial returns and incorporating financial literacy programs in the school curriculum.

4.5.5 Correlation Between Retirement Planning and Financial Literacy Strategies

Table 4.14 Correlation Between Retirement Planning and Financial Literacy Strategies

<table>
<thead>
<tr>
<th>Retirement planning</th>
<th>Strategies</th>
<th>Kendall's tau-b (τ)</th>
<th>Spearman's rho (ρ)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Online platform</td>
<td>.366**</td>
<td>.421**</td>
</tr>
<tr>
<td></td>
<td>Flexible scheduling</td>
<td>.266**</td>
<td>.294**</td>
</tr>
<tr>
<td></td>
<td>School curriculum</td>
<td>.484**</td>
<td>.514**</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed)
*Correlation is significant at the 0.05 level (2-tailed)

Upon carrying out a correlation analysis between retirement planning and strategies of financial planning it was identified that there is a strong significant correlation between retirement planning and use online platform, retirement planning and flexible scheduling, retirement planning and incorporating financial literacy programs in the school curriculum.
4.5.6 Correlation Between Debt Management and Financial Literacy Strategies

Table 4.15 Correlation Between Debt Management and Financial Literacy Strategies

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Kendall's tau-b (τ)</th>
<th>Spearman's rho (ρ)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online platform</td>
<td>.366**</td>
<td>.421**</td>
</tr>
<tr>
<td>Flexible scheduling</td>
<td>.266**</td>
<td>.294**</td>
</tr>
<tr>
<td>School curriculum</td>
<td>.484**</td>
<td>.514**</td>
</tr>
</tbody>
</table>

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

*Correlation is significant at the 0.05 level (2-tailed)

On correlating debt management and financial literacy strategies it was discovered that there is a strong significant correlation between debt management and use of online platform, debt management and flexible scheduling, and debt management and incorporating financial literacy programs in the school curriculum.

4.6 Chapter Summary

The chapter explained the procedure followed in collecting data for this study. The results of the data analysis are then presented systematically in line with research questions presented in section 1.4 of this study.

The analysis aimed at highlighting descriptive characteristics of the data collected as well as establishing relationships between the various variables at play to help in understanding of the characteristics of the data collected. The next chapter provides the conclusion, summary as well as the discussions and the recommendations.
CHAPTER FIVE

5.0 DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter, the results and findings that were presented in chapter four are discussed. Conclusions are drawn and then recommendations are made. The chapter is organized according to the research questions. The discussions are focused on how the findings related to the role of financial literacy on personal financial decisions made by members of Balozi SACCO.

The chapter begins by providing a summary of the findings presented in chapter four in a manner that answers the research questions and secondly compare these findings with the previous studies as presented in chapter two of this study. It presents the major conclusions and recommendations for further studies.

5.2 Summary

The purpose of the study was to determine the role of financial literacy on personal financial decisions made by members of Balozi SACCO.

The research was guided by the following specific objectives; to determine the benefits of financial literacy on personal financial decisions made by members of Balozi SACCO; to determine the challenges to participation in financial literacy programs by Balozi SACCO members; and to determine the strategies to improve financial literacy amongst members of Balozi SACCO.

The research design was descriptive in nature. The target population of the study was 133 drawn from the U.S Embassy, USAID and KK guards. The study employed the use of random sampling technique to sample the population understudy. A sample size of 100 respondents participated in the study. The study recorded a 75% response rate. The study depended on primary data which was collected using survey data collection method. The data collection instrument used was a structured questionnaire with both open ended and closed ended questions.
The questionnaire was pre-tested on five participants from the targeted SACCO members with similar characteristics like those of intended participants included in the study. The findings of the five respondents who took part in the pilot study were not included. The questionnaires were personally administered to the SACCO members at the U.S Embassy compound by the researcher.

The study incorporated the use of both SPSS as well as Ms Excel for the purpose of data coding and analysis. The analysis involved correlation, T-test and frequency distribution as descriptive statistics techniques with the data being presented in the form of tables and graphs.

The results showed that financial satisfaction, better management of personal finances, improved substantial returns, effective money management, budgeting and record keeping, effective retirement planning and better debt management are the benefits associated with financial literacy and which in turn impact on personal financial decisions. The respondents scored a mean of 4.8 for retirement planning, understanding financial markets (mean of 4.7), both money management and budget and record keeping (mean of 4.6), financial satisfaction and substantial return (mean 4.3), personal finances (mean of 4.4) and finally debt management with a mean of 4.2.

The study findings revealed that challenges such as financial constraints, lack of literacy programs, individual commitments, inaccessible training venues, culture and beliefs and lack of sponsorship impacted negatively towards the administration of financial literacy programs. The respondents noted that lack of sponsorship being the main challenge to participating in financial literacy programs scored a mean of 3.5, personal commitment (mean of 3.4), culture and beliefs (mean of 3.1), inaccessible venues (mean of 2.8) while lack of interest recorded a mean of 2.4.

The survey from the respondents also noted that strategies like better accessibility of financial literacy program venues, use of online platform, sponsorship, incorporation of financial literacy course in the school curriculum, use of practical approaches in disseminating financial literacy information and flexible scheduling are significant in the realization of financial literacy which ultimately influences personal financial decisions. Flexible scheduling and practical approaches were highly ranked by the respondents at a mean of 4.4, change of attitude scored a mean of 4.2; incorporating financial literacy programs in school
curriculums had a mean of 4.1 while both accessible programs and online platform scored a mean of 3.9 with sponsorship garnering a mean of 3.5.

5.3 Discussions

This section comprises of discussions on the specific research objectives of the study based on the research results and findings in comparison to the literature review.

5.3.1 Benefits of Financial Literacy on Personal Financial Decisions

The study noted some of the benefits associated with financial literacy on personal financial decisions include: Financial satisfaction, better management of personal finances, improved substantial returns, effective money management, budgeting and record keeping, effective retirement planning and better debt management.

The results disclosed that there is significant relationship between financial satisfaction and personal financial decision making, personal finances and personal financial decision, substantial returns and personal financial decision, money management and personal financial decision, budget and financial records and personal financial decision, retirement planning and personal financial decision, debt management and personal financial decision and finally between understanding financial markets and personal financial decision.

According to the study, most of the respondents felt that retirement planning as a benefit of financial literacy influenced personal financial decision on a large extent. This is corroborated by the studies of Clark, Mellinda and Allen (2010) who opined that many employees more so those in the U.S. and who are about to clock their retirement have a limited or lack knowledge of their company retirement benefits, and thus have delusions concerning their expected age of retirement. This trend amongst the employees is not only worrying but is a pointer to how significant financial planning is with regards to personal financial decisions. This finding is further bolstered by Lusardi and Mitchell (2011a) that in the U.S. there is lack of planning for retirement and this could be as a result of lack of financial literacy hence the need to embrace retirement planning in order for employees to make informed personal financial decision whenever they go into retirement.

The study further established that effective money management as a benefit associated with financial literacy on personal financial decision is of great importance to members whenever they want to make informed financial decision. This finding is reinforced by GEM (2003)
that personal savings attributed to better management of finances is widely seen as the most important source of finance accessible to entrepreneurs in forming a new business. GEM (2003) further argues that the extremely high debt ratios of consumers, savings as a result of better management of finances have often been left behind and almost forgotten.

The study revealed that substantial return as another benefit of financial literacy influenced personal financial decision greatly. This is supported by Guiso and Jappelli (2008); Lusardi and Mitchell, (2007); Lusardi and Tufano, (2009); Alessie, Lusardi, and Van Rooij, (2007; 2008) that in as much as wealth has been considered as a determinant of literacy, it is epitomized that financial literacy is a major factor of wealth accumulation otherwise seen as a substantial return. This statement is further supported by Jappelli and Padula (2011) who noted that literacy and wealth are jointly determined and are correlated over the life of consumer.

The study further outlined other benefits of financial literacy on personal financial decision. These included: appraisal of investment opportunities, tax compliance, additional savings and lastly predicting the growth curve of the investment.

5.3.2 Challenges to Participating in Financial Literacy Programs

The impediments associated with financial literacy programs include amongst others financial constraints, lack of literacy programs, individual commitments, inaccessible training venues, culture and beliefs and lack of sponsorship.

The study findings revealed that in deed there is a strong significance between financial constraints and personal financial decision, lack of financial literacy program and personal financial decision, personal commitments and personal financial decision, inaccessible venues and personal financial decision, culture and beliefs and personal financial decision, lack of interest and personal financial decision and lastly between lack of sponsorship and personal financial decision.

Majority the respondents noted that lack of literacy programs contributed immensely to their lack of participation in financial literacy programs. This is in line with the studies by Bernheim, Garrett and Maki (2001), who adopted a differences-in-differences approach to analyze the effect of the high school financial education mandates on savings behavior hence not addressing financial literacy in depth. This was blamed on lack of proper financial
literacy programs. Ideally, the study wanted to establish whether the respondents took part in any courses on work pertaining to household finances, consumer education, or economics. This is a pointer that lack of financial literacy programs is indeed an impediment to the realization of financial literacy as a whole.

The survey found out that personal commitments are stumbling blocks to participation in financial literacy programs. This is corroborated by Chen and Volpe (2002) that one’s commitments can hamper their participation in financial literacy programs more so amongst SACCO members. This goes along to include those commitments occasioned by family related issues as acknowledged by Marcolin and Abraham (2006) who argue that an individual’s commitments is a recipe to their non-participation in SACCO related financial literacy programs. This finding is bolstered further by the works of Marcolin and Abraham, (2006) that individuals find that they are busy either at work, in school, or with family engagements. Dividing time between various engagements is difficult as all these engagements can be very involving. Take for example the case of a working mother who also attends evening classes after work. It becomes very difficult for them to create time to attend financial literacy programs unless they are either offered by the employer or at school.

The study established that culture and beliefs are factors that hinder participation in financial literacy programs. This finding is in cohesion with the studies of Arnone (2004) and Lusardi (2006) that culture and belief is major hurdle when it comes to one’s participation in financial literacy programs. It is further reinforced by Marcolin and Abraham (2006) that in most cases single people are seen to be less financially literate as compared to those married with children or those single and have responsibilities like taking care of their extended families. Moreover, Edmiston and Gillet-Fisher (2006) acknowledge that psychological processes like information processing, learning, and attitude or behavior change influences financial literacy.

The study also noted that other challenges seen hindrance to participation in financial literacy programs include; ignorance that was, frequency of course offering, use of technical language and lack of organizational support.
5.3.3 Strategies to Improve Financial Literacy

The study identified the following strategies as a way of improving financial literacy. They include; better accessibility of financial literacy program venues, use of online platform, sponsorship, incorporation of financial literacy course in school curriculum, use of practical approaches and flexible scheduling in disseminating financial literacy information.

The survey results noted that there is a strong significant relationship between accessibility of program training venues and personal financial decision, use of online platform and personal financial decision, sponsorship and personal financial decision, flexible scheduling and personal financial decision, incorporating financial literacy in school curriculum and personal financial decision, use of practical approaches and personal financial decision and change of attitude and personal financial decision.

The study disclosed that the use of practical approaches is a strategy that can improve financial literacy. This finding is supported by Chen and Volpe (2002) who acknowledges there is a need to craft a financial literacy course for women that will be administered by considering their educational background, life experiences and socio-economic status since they tend to be sidelined by the conventional finance literacy curriculums. This would involve the use of diagrams and simplified facts that the learners are able to identify with as well as adopt. They further emphasizes that is easy to communicate a thousand information by the use of figures and diagrams in general. This indeed stresses the need to synthesize complex facts for the benefit of those considered financially illiterate.

The study findings also highlighted that incorporating financial literacy as part of school curriculum would boost its uptake by the learners. The results finding is supported by Lerman and Bell (2006) who acknowledges that high schools are the best bet in terms of education avenues where financial literacy program should be launched. They further noted that at high school level, education is perceived to be compulsory hence having a wider audience and participants. The learners are positioned at the best position in terms of age where they are in the process of developing life skills. This is further reinforced by Mandell (2009) who alludes to the large-scale, biennial surveys of high school seniors conducted by the Jump$Start Coalition for Personal Financial Literacy, consistently established that students who had taken a high school class either in personal finance or money management were more financially literate compared to those who had not. The study adopted a financial literacy
index based on the students’ responses as well as age relevant questions. The research took into account income, money management, savings and investing, and spending and credit. It is worth noting that six researches have been administered from 1997 through 2008, and the average grade has never exceeded 58%. Moreover, students who took a full semester high school class either in money management or personal finance were seen to be more financially literate as opposed to their counterparts who had not taken such a course. Mandell and Klein (2007) provided an argument in support of this scenario by highlighting the role of student motivation as a contributor to financial literacy of respondents. Furthermore, they pointed to the fact that motivated adults benefit from targeted financial education thus the need to initiate the program in school curriculum.

Furthermore, studies by other scholars also reveal that those who completed university or college degree are more likely to be financially knowledgeable compared to those with low education level (Lusardi and Mitchell, 2006; 2008) hence the need to incorporate financial literacy in school curriculum. Mandell (2004; 2008) reinforces the fact that there exist a correlation between literacy and education at the early stages of lifecycle. It is therefore the jurisdiction of Balozi SACCO to craft a user friendly curriculum on financial literacy programs so as to spur financial literacy knowledge amongst its’ members.

The findings of the study revealed that there is a strong significant correlation between financial satisfaction and accessibility of financial literacy programs, financial satisfaction and use of online platform, financial satisfaction and flexible scheduling, and financial satisfaction and incorporating of financial literacy programs in the school curriculum. This revelation is bolstered by the works of Center for Retirement Research (2010) that acknowledges that the urge for financial education has enabled individuals to go a notch higher through the use of online platforms that provide numerous options through which the users can navigate and help boost their financial literacy. For example, financial decision tools are websites that help users make specific financial decisions, such as taking out a mortgage or retiring which all narrows down to personal financial decision making. Moreover, personal finance communities are user-driven online communities that serve the purpose of providing advice and aggregating data which are key to personal financial decision amongst SACCO members.
The study also established that other strategies that would improve financial literacy include: Incorporating financial management as part of the syllabus to improve financial literacy, organizing exchange programs with other SACCOs and lastly, organizing mobile trainings.

5.4 Conclusions

5.4.1 Benefits of Financial Literacy on Personal Financial Decisions

The study has sufficiently shown that financial satisfaction, better management of personal finances, substantial returns, effective money management, budgeting and record keeping, effective retirement planning and debt management are some of the benefits that accrue to individuals who are financially literate. They are thus able to make effective personal financial decisions.

5.4.2 Challenges to Participating in Financial Literacy Programs

The research has confirmed that financial constraints, lack of financial literacy programs, individual commitments, inaccessible venues, culture and beliefs and lack of sponsorship are some of the notable stumbling blocks towards participation in financial literacy programs.

5.4.3 Strategies to Improve Participation in Financial Literacy

The survey has established that the following approaches can be used to improve participation in financial literacy programs: Improving accessibility to financial literacy programs, use of online platforms, sponsorship, incorporation of financial literacy course in the school curriculum, use of practical approaches in disseminating financial literacy information as well as flexible scheduling of financial literacy programs.

5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Benefits of Financial Literacy on Personal Financial Decisions

From the results, it is evident that some of the benefits associated with financial literacy are financial satisfaction, better management of personal finances, substantial returns, effective money management, budgeting and record keeping, effective retirement planning and debt management. These benefits would help individuals make informed personal financial decisions. It is also a call for all the stakeholders within the financial sector and without to continuously exploit financial literacy for maximum results of personal financial decisions.
5.5.1.2 Challenges to Participating in Financial Literacy Programs

The survey demonstrates that financial constraints, lack of literacy programs, individual commitments, inaccessible venues, culture and beliefs and lack of sponsorship are impediment to the participation in financial literacy programs. Nonetheless, the SACCOs and other financial institutions need to go the extra mile in suppressing these factors so as to improve and increase participation of financial literacy programs within their memberships.

5.5.1.3 Strategies to Improve Participation in Financial Literacy

The survey has shown that the adoption of strategies such as better accessibility of financial literacy program venues, use of online platform, sponsorship, incorporation of financial literacy course in the school curriculum, use of practical approaches in disseminating financial literacy information and flexible scheduling will help enhance participation in financial literacy programs. Balozi SACCO and others should embrace the use of these mechanisms in order to impart up to date financial knowledge to their members.

5.5.2 Suggestions for Further Research

This research was designed to determine the role of financial literacy on personal financial decisions made by members of Balozi SACCO. After reviewing the varied responses, gaps which were outside the scope of this research have emerged.

This research was only focused on Balozi SACCO members hence locking out other SACCOs that offer the same services as Balozi. Future research should evaluate whether members of other SACCOs would exhibit similar results and findings as far as the responses were concerned. In addition, similar research could be carried out with a focus on the management of the SACCOs to find out their perspective on the specific objectives of this research.
REFERENCES


APPENDICES

Appendix I: Cover Letter

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

P.O. BOX 14634, 00800.

NAIROBI.

DATE:

Dear Respondent,

I am carrying out research on the role of financial literacy on personal financial decisions with emphasis on Balozi SACCO members. This is in partial fulfillment of the requirement of the Master of Business Administration program at the United States International University Africa.

The result of this study will help Balozi SACCO to understand how best to address financial literacy amongst its members. Kindly spare some 20 minutes of your time to complete the questionnaire attached.

This is an academic research and confidentiality is strictly emphasized. Your name will not appear anywhere in the report.

Thank you in advance,

Yours sincerely,

Stella Kimani.
Appendix II: Questionnaire

PART I: GENERAL INFORMATION

Note: This is an academic exercise and all information collected from respondents will be treated with strict confidentiality.

General Information

Kindly answer all the questions either by ticking in the boxes or writing in the spaces provided. Note that the evaluation will be considered incomplete if you do not answer all the questions

1) Which organization do you work for?
   U.S. Embassy □  USAID □  KK Guards □

2) How long have you worked for your organization?
   Less than 5 years □  6-11 years □  12-17 years □  18-23 years □  Over 24 years □

3) What is your highest level of education?
   High School □  College/Technical School/Polytechnic □
   University □  Other (Kindly specify) _____________________________

4) How long have you been a member of Balozi SACCO?
   Less than 5 years □  6-11 years □  12-17 years □  18-23 years □  Over 24 years □

5) What is your salary range?
   5,000 – 20,000 KES □
   21,000 – 40,000 KES □
   41,000 – 60,000 KES □
   61,000 – 80,000 KES □
   81,000 – 100,000 KES □
   Above 100,000 KES □
6) What percent of your income are you able to save?
- 0 – 5%  
- 6-10%  
- 11-15%  
- 16-20%  
- Above 20%

7) a) Have you ever done any finance course?
- Yes  
- No

b) If yes, where did you do it?
- University  
- College  
- Other

(Kindly Specify) ……………………………………………………………………

   c) If the answer to question 7 (a) is yes, which courses have you done?
   ………………………………………………………………………………………
   ………………………………………………………………………………………
   ………………………………………………………………………………………
   ………………………………………………………………………………………
PART II: BENEFITS OF FINANCIAL LITERACY ON PERSONAL FINANCIAL DECISIONS

8) Kindly tick the numeric value corresponding to your personal opinion with regard to the impacts of financial literacy on investment decision.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Financial knowledge will increase my financial satisfaction</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>b) Financial literacy will help me better manage my personal finances</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>c) I will be able to obtain substantial returns on my investment decisions due to financial training</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>d) Financial literacy will enable me to effectively manage my money</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>e) Financial education will enable me to better budget and maintain financial records</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>f) Financial literacy will enable me to effectively plan my retirement</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>g) I will be able to manage my debts better with some financial training</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>h) Financial education will help me better understand financial markets and instruments</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Based on your own personal opinion, what are other benefits of financial literacy on personal financial decisions?

__________________________________________________________________________________

__________________________________________________________________________________

__________________________________________________________________________________
PART III: CHALLENGES TO PARTICIPATION IN FINANCIAL LITERACY PROGRAMS

9) Please tick the numeric value corresponding to your personal opinion for each statement with regard to challenges that hinder the participation in financial literacy programs.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Financial constraints and concerns threaten my participation in financial literacy programs</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>b) Lack of literacy programs hampers my participation in financial literacy programs</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>c) Personal commitments frustrate my involvement in financial literacy programs</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>d) The training venues for financial literacy programs are inaccessible</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>e) People’s culture and beliefs derail them when it comes to their engagement in financial literacy programs</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>f) I lack interest in financial literacy programs</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>g) Lack of sponsorship hampers participation in financial literacy programs</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

What other challenges do you think hinder the participation in financial literacy programs?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
PART IV: STRATEGIES TO IMPROVE FINANCIAL LITERACY

10) Based on your personal judgment on strategies that can improve financial kindly tick the numeric value corresponding to your opinion.

<table>
<thead>
<tr>
<th></th>
<th>No Extent</th>
<th>Some Extent</th>
<th>Neutral</th>
<th>Great Extent</th>
<th>Very Great Extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Better accessibility to financial literacy program venues will influence participation</td>
<td>①</td>
<td>②</td>
<td>③</td>
<td>④</td>
<td>⑤</td>
</tr>
<tr>
<td>b) The use of online platform contributes to participation in financial literacy programs</td>
<td>①</td>
<td>②</td>
<td>③</td>
<td>④</td>
<td>⑤</td>
</tr>
<tr>
<td>c) Organizations should sponsor their members to participate in financial literacy programs</td>
<td>①</td>
<td>②</td>
<td>③</td>
<td>④</td>
<td>⑤</td>
</tr>
<tr>
<td>d) Flexible scheduling of financial literacy programs will improve on attendance</td>
<td>①</td>
<td>②</td>
<td>③</td>
<td>④</td>
<td>⑤</td>
</tr>
<tr>
<td>e) Financial literacy programs should be incorporated in school curriculum</td>
<td>①</td>
<td>②</td>
<td>③</td>
<td>④</td>
<td>⑤</td>
</tr>
<tr>
<td>f) The use of practical approaches will stimulate my participation in financial literacy programs</td>
<td>①</td>
<td>②</td>
<td>③</td>
<td>④</td>
<td>⑤</td>
</tr>
<tr>
<td>g) Change of attitude influences participation in financial literacy programs</td>
<td>①</td>
<td>②</td>
<td>③</td>
<td>④</td>
<td>⑤</td>
</tr>
</tbody>
</table>

What other strategies do you think when adopted can improve financial literacy amongst Balozi SACCO members?

__________________________________________________________________________________

__________________________________________________________________________________

__________________________________________________________________________________

Thank you for your honest feedback