INFLUENCE OF FINANCIAL LITERACY ON FINANCIAL MANAGEMENT PRACTICES: A SURVEY OF DAIRY FARMERS MANAGED BY K-UNITY SACCO IN LIMURU SUB COUNTY

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OCTOBER, 2020

DECLARATION

Declaration by the Student

This thesis is my original work and has not been presented to any other examination body. No part of this research project should be reproduced without my consent or that of the Kenya Methodist University

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DEDICATION

I dedicate this research thesis to my husband for the moral support and encouragement he has given me while working on this project. My dedication also goes to my children, nephews, and nieces; it is my prayer that God will enable them to achieve great academic heights.

ACKNOWLEDGEMENT

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ABSTRACT

This study purposed to investigate the influence of financial literacy on financial management practices; a survey of dairy farmers managed by K Unity SACCO in Limuru sub county, Kiambu county. The objective of the study was to investigate how financial literacy affects financial management of persons operating in the informal sectors in this case looking at dairy farmers. The researcher sought to find out whether investment practices, saving culture, budgeting practices loan management and the planning of unexpected expenses does affect financial management practices. The field of financial literacy has been understudied more so in the developing economies, and especially in the informal sector. The researcher targeted dairy farmers managed by K Unity SACCO. The researcher adopted descriptive research design to study 356 dairy farmers drawn from a population of 3241 dairy farmers. The study used structured questionnaire which were administered with the help of 5 research assistants using structured interviews. The researcher conducted a pilot test of 20 questionnaires in order to ensure that the questions to be asked were relevant, valid and reliable. Data analysis was done using Statistical Package for Social Scientists (SPSS) to generate descriptive statistics (frequencies, percentages, cross tabulations) that were presented on figures and tables. Further analysis was done using inferential analysis. The study revealed that investment practices and financial management of dairy farmers in Kenya were strongly and positively correlated. Also, investment practices were statistically significant to financial management of dairy farmers in Kenya. Saving culture and financial management of dairy farmers in Kenya were strongly and positively correlated. Also saving Culture was statistically significant to financial management of dairy farmers in Kenya. Budgeting practices and financial management of dairy farmers in Kenya were strongly and positively correlated. Also budgeting practices was statistically significant to financial management of dairy farmers in Kenya. The practice of managing debt and financial management of dairy farmers in Kenya were strongly and positively correlated. Also, debt management practices were statistically significant to financial management of dairy farmers. It was therefore recommended that the management of K Unity Sacco should considered offering investment training to their members before disbursement of loans. The study recommends that employees should use their financial literacy knowledge and experience gained in the Sacco society to develop a saving culture. Also, management of K Unity Sacco should create awareness to its members on the effects of debts on their finances and ways of managing debt realistically and understanding the cost of debt.

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CHAPTER ONE:

INTRODUCTION

1.1 Background of the Study

The microeconomics theory explains that a well informed and rational consumer will expend less than his income when his income is high so as to use the savings when the level of income falls (Lusardi & Mitchell, 2011). This study takes the theory to mean that financial literate consumers will be able to practice good personal management practices such as; drawing a personal budget, saving constantly, good debt financing as well as planning for any disasters by embracing insurance.

Financial literacy has become an area of interest for almost all individuals in all aspects of life recently due to the global changes fields of finance. Financial literacy can be inclusive of several aspects such as knowledge in financial matters, financial products and institutions as well as financial skills which include, being able to establish the rate of interest payable on certain (Xu & Zia, 2012). The authors further explain that financial literacy can be explained in various ways based on the amount of income the county earns. In those regions whose income levels are high, they consider equipping their clients with the ability to understand different financial products as complementation of clients' protection and a very significant role in their financial education. A financially literate individual is described as someone whose decisions in terms of financial management are sound. It can be referred to as an understanding of how money works in the day to day life (Deng, Chi, Teng, Tang, & Chen, 2013).

The definition of financial literacy adopted in this study is adapted from(Lusardi & Mitchell, 2011). Being financially literate can be explained as someone's ability to use financial knowledge to reach decisions that are well researched concerning budgeting, saving, debt management and use of hedging practices. It is of crucial importance to undertake the study on whether financial literacy is really important.

Its importance was identified during the recent financial crisis in the developed countries. According to research, individuals in those countries that are termed as developed countries still fail to possess the basic knowledge, skills and attitude for proper and maximum management of their personal income and this creates a necessity for education regarding finances and financial management policies to be adopted. In the developing countries however, financial literacy is limited with only a small percentage of individuals having the accessibility to sophiscated consumer financial products. This is worsened by the virtue that majority of people in these countries rely on informal employment and hence don't take financial lessons seriously.

Financial literacy ensures that decision such as paying bills on time, managing credits are made accordingly. It also helps one to have great control over their future, ensure that financial products are effectively used and reduces the chances of overzealous retailers or fraudulent schemes. When the individuals are educated it forces financial regulators to better the efficiency of and he quality of financial services since the people they are serving know what they want because they are literate. Those clients who are financially literate pose a challenge to the financial institutions to provide them with prices that are appropriate and services that are transparent through the comparison of opinion, posing the relevant and right questions, and having negotiations that are of great effectiveness (Wachira & Kihiu, 2012) .

Financial management refers to how an individual acquires finances and how he effectively plans the utilisation of the acquired funds (Paramasivan & Subramanian, 2009). In this study the author takes the objectives of personal financial management to be two; to maximize personal wealth and to increase the savings of an individual. Financial management can be related to financial literacy because if a person if financially literate he will adopt the financial management practices in his day to day life. In order for a person to have good financial management, financial knowledge and for this purpose financial literacy is paramount (Dwiastanti, 2015). When an individual have financial literacy, he will be smarter in managing his personal finances so as to achieve personal prosperity.

Shahwan (2008) did argue that those who make use of financial report need to make decisions concerning the allocation of resources and manage them in an effective way. To make any decision regarding an investment, the information used in reaching the decision need to be information of great quality and should also be relevant. This information that is used may be seen in various ways such as monitoring the way they perform, investigating relationships and also utilising the current trend. As explained by Xu, Nord, and Lin (2003) information that can be used and is characterised by completeness, timeliness, consistency and accuracy is considered to be quality inflation. Shahwan (2008) established that the aspect of it being relevant and reliable is the quantitative characteristics that make accounting information of use. Because of growth and development experienced it is very important that managers of businesses to understand and be part accounting figures produced. In addition, accounting information that is of relevance will assist in reaching astute conclusions (Shahwan, 2008).

In addition, information on accounting helps managers to reduce uncertainty in decisions making. Sources of accounting information include appropriate financial reports obtained from active financial management. Good expenditure practices refer to having a clear and defined way of how an individual will expend his income. It means creating a budget for his expected expenses. A budget is a plan for spending and saving the excess funds one has (Davis & Carr, 1992). According to (Dwiastanti, 2015), it is of crucial importance to have a spending plan and the discipline to stick to that plan so as to achieve the financial targets made. It can only happen if one is financially literate. Financial literacy has a positive impact to budgeting practices.

Investing is the act of purchasing an asset or item hoping that it will generate income or it will experience appreciation in the future. Financial literacy has a direct association with well-being of the people and people with low levels of literacy will have problems identifying viable investment opportunities (Bhushan & Pardesh, 2014). The importance of the role of financial literacy in making sound investment decision cannot be overlooked. Saving is the decision that one makes to keep the surplus funds for use in future. Making this decision to save the surplus funds for later use is a decision which only those who are financially literate can make. Saving decisions are very crucial in reallocating income across periods but this decision may be hindered by low level of financial literacy in an individual.

Unexpected expenses are those expenses which are not foreseen and therefore one is unable to plan for them. In this study they include the losses which can be brought about by unfavourable climatic conditions and also diseases outbreak. To hedge against this expenses, one needs to insure his products and this calls for an understanding of how the system works and therefore the importance of financial literacy (Dalkilic & Kirkbesoglu, 2015).

1.1.1 K-Unity Profile

K unity is a saving and credit co-operative society taking the deposit-making business. K-unity Sacco is the umbrella organization for dairy & pyrethrum societies in the larger Kiambu County. Its core business is banking. Other businesses include insurance, properties investments and investments in securities.

All Sacco's in Kenya are regulated by the Sacco societies act. Through the power that is given by section 68 of the Sacco society act no. 14 of 2008, the minister of co-operative development came up with the Sacco societies "deposit- taking Sacco business" regulations 2010. These Sacco societies created were intended to give the optimum operation regulation and prudent standards that are the requirement of any deposit taking Sacco society. The regulations are divided into various parts, which are: licensing, capital adequacy , liquidity and asset liability management , shares savings and deposits, credit management, risk classification of assets and provisioning, investments, financial performance reporting, governance of Sacco societies, regulation and supervision , information preservation and business continuity, deposit guarantee fund and miscellaneous provisions Sacco society ACT 2008 came up with a regulatory body referred to as Sacco societies regulatory authority (SASRA) .

With the following objectives and functions; to ensure that the Sacco society operates within the law and follows the set standards and regulations, these was to be achieved through licensing, regulation and supervision of the Sacco societies, another role was holding, managing and applying authority's overall funds according to the provision of the act, levy contributions according to what is stated in the act, and perform all things directed by the ministry and also to carry out other related duty written in the law or conferred by the law.

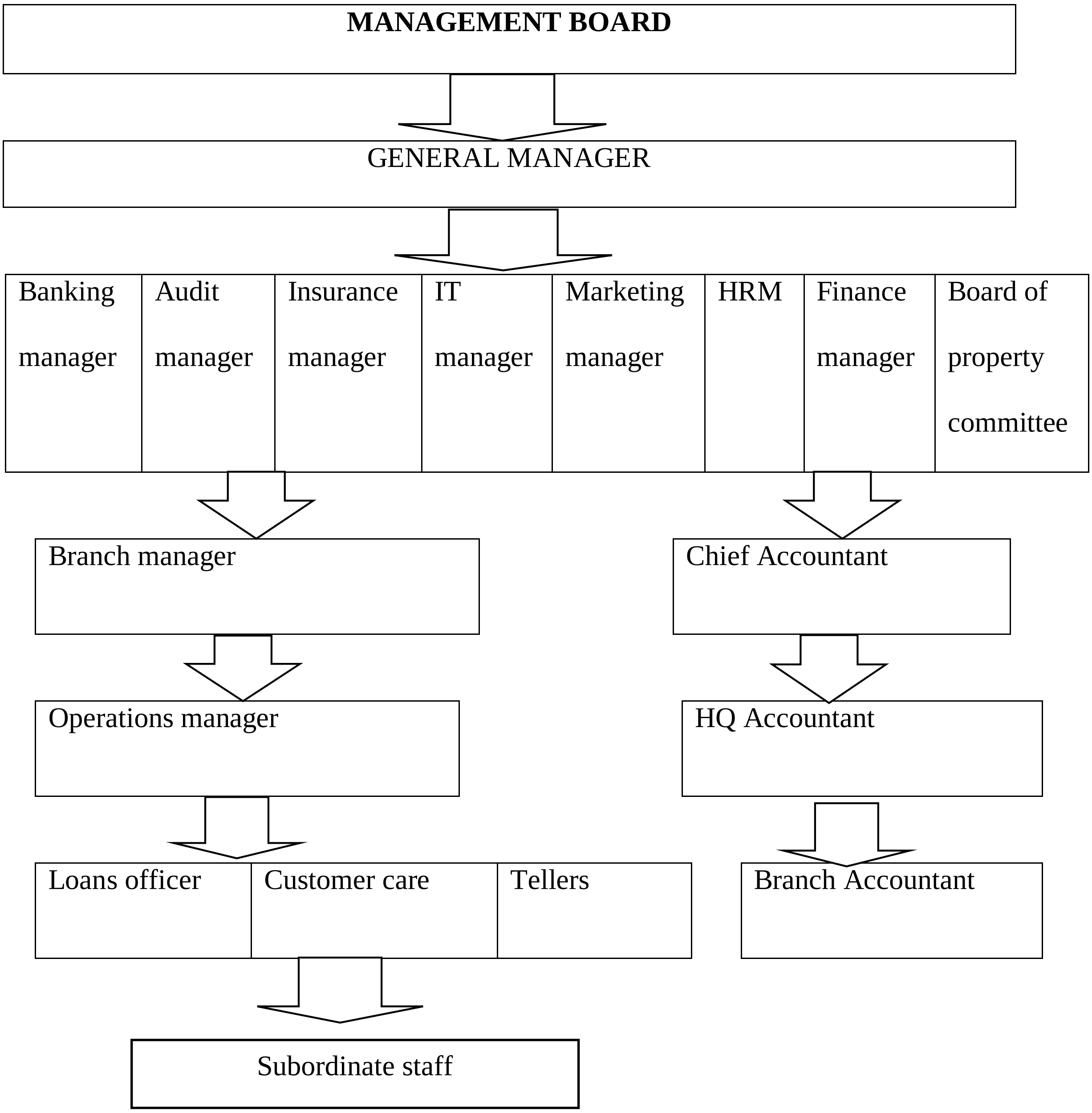
K unity was established as Kiambu unity finance cooperative union limited in the year 1974.The first union banking was opened on May 1975 in Githuguri town and over the decades the following branches have been opened: Kikuyu, Kiriita, Limuru, Kiambu, Wangige, Banana, Kagwe, and Maai Mahiu. All the branches are strategically situated at divisional headquarters to ensure that the banking needs for all our members and customers are well catered for.

Over the decades, notable achievements and endeavours have been accomplished by K Unity in the year 2004 all the banking operations were computerized. In 2005, the SACCO attained a Ksh. One billion in deposits, in the year 2011 the SACCO rebranded to k unity Sacco from Kiambu Unity Finance Cooperative union in compliance with SASRA regulations. The SACCO received the Certificate of authorization by SASRA to conduct deposit – taking business in the year 2011.

ORGANIZATION STRUCTURE OF K-UNITY

Figure 1.1

Organization Structure of K-Unity



Source, K Unity (2018)

1.2 Statement of the Problem

The experts in investment and financial management usually have the opinion that ignorance poses a great risk in financial management as well as investments (Deng, Chi, Teng, Tang, & Chen, 2013). They also agree that individual lack financial literacy that is required in making significant decisions that is in their best interest. Therefore, when carrying out financial management it is important to always have financial management knowledge.

The topics of financial literacy have been under studied; more so in the developing economies. The researchers however do agree that most of the clients do not possess knowledge regarding finances that is needed in reaching sound decisions that is in return is beneficial for their financial wellbeing (Mandell & Klein, 2009). According to Dwiastanti (2015) being financially literate is crucial in income management so as to achieve personal prosperity. This can only be achieved when one have smart financial behaviour which enables one to adopt the skills and be confident in applying the use of knowledge in identifying financial products and services. When one lacks the financial literacy, the individual is bound to fail to plan his finances. According to (Deng et al., 2013), financial literacy has a direct correlation with financial self-beneficial behaviour.

Evidence reveal that financial illiterate individuals have a higher likelihood of having loan issues, have less likelihood of saving, high likelihood of engaging in loans that are of high interest rates, and the likelihood of them planning for the future is low (Kefela, 2011). Being financially literate makes it possible for someone to make sound decisions that are related to finances, enables one to know and appreciate their rights, and the responsibilities they have on financially related products, and also it enables an individual to comprehend what risks they are facing and how to manage them. Being financially illiterate can be a contributing factor to poor decisions regarding finances which may negatively affect the person making the decision and the community at large. In the informal sector particularly in farmers, the concept of financial literacy is often ignored and this is reflected in poor financial management and there is therefore a need to study the same.

1.3 Objective of the Study

1.3.1 General Objective

The main objective of the study is to establish the influence of financial literacy on financial management practices in dairy farmers managed by K-Unity Sacco in Limuru Sub County.

1.3.2 Specific Objectives

The following specific objectives guided this study

i. To establish the influence of investment practices on financial management of dairy farmers in Limuru Sub County.

ii. To establish the influence of saving culture on financial management of dairy farmers in Limuru Sub County.

iii. To examine the influence of budgeting practices on financial management of dairy farmers in Limuru Sub County.

iv. To assess the influence of debt management practices on financial management of dairy farmers in Limuru Sub County.

1.4 Research Questions

The study sought to answer the following research questions

i. To what extent do investment practices influence financial management of dairy farmers in Limuru Sub County?

ii. Does saving culture influence the financial management of dairy farmers in Limuru Sub County?

iii. To what extent does budgeting practices influence the financial management of dairy farmers in Limuru Sub County?

iv. Do debt management practices influence the financial management of dairy farmers in Limuru Sub County?

1.5 Significance of the Study

1.5.1 Sacco's

In Kenya, research on financial literacy is a new concept with few studies having been done in the very recent years. The findings of the study brought forth data and information applicable in appropriate planning of financial services providers like SACCOs and banks and also both the national and county governments.

1.5.2 National and County Governments

The study provides useful data and information applicable in proper planning of the financial and extension services to both the national and county governments

1.5.3 Farmers

The findings and what the study recommends might be of help to dairy farmers as it explains benefits of being financially literate in overall management practices and it enabled them to lead more productive lives.

1.5.4 Academia

The study also acts as foundational basis for researches to be conducted in the future on the significance of financial literacy. This should lead to the generation of new ideas in the finance field.

1.6 Scope of the Study

The main concern was examining the impact of financial literacy on financial management; it is a survey of 356 dairy farmers managed by K-UNITY SACCO in Limuru sub county, Kiambu County. It was conducted in Kiambu County between March and April 2018. Study’s focus was on establishing the influence of financial literacy on financial management practices in dairy farmers managed by K-Unity Sacco in Limuru Sub County. The main focus was on the influence of investment practices, saving culture, budgeting practices and debt management practices on financial management of dairy farmers in Limuru Sub County.

1.7 Limitations of the Study

Dairy farmers managed by K Unity SACCO in Kiambu County were targeted. The findings can therefore not be generalized to all farmers and SACCOs in Kenya. Due to the fear of misuse, respondents were unwilling to share some information. The researcher showed them a letter from KeMU and also from the ministry of education indicating that the information sought was to be used solely for academic purpose and that confidentiality and privacy will be maintained.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This segment of the study intends to establish the position taken by previous researchers and research studies carried put in topical area of financial literacy on financial management practices. The section established whether engagement in financial education as part of improved financial literature may have any notable impacts towards increasing one's financial management practices. The section might be of value in providing readers with a better understanding of key financial behavioural factors of consideration in defining positive financial management practices. In addition, the section also focused on some of the research gaps from some of the study results put forward by some of the researchers. The chapter focuses on several key aspects associated with the literature review including theoretical orientation, theoretical framework, empirical framework, conceptual, and operational framework.

2.2 Theoretical Review

This section undertook an in-depth analysis of each of the theories identified within the previous section with an aim evaluating their impacts in improved financial education as a way of shifting overall understanding of financial management practices.

2.2.1 Social Learning Theory

Navickas, Gudaitis, and Krajnakova (2014) posit the fact that using the social learning theory, it is much easier for individuals to experience a major shift in terms of their personal behaviours on the area of financial management based on specific social factors including specific sources of information and financial advice. The financial perceptions people have on their environments when engaging in specific business or personal activities act as the key drivers of financial management practices. In this case, the engagement of farmers in Kiambu County in dairy farming provides them with proper comprehension of the significance of having to engage in effective financial management practices. Through social interactions, people find it easier in gaining the expected information that would allow them gain the requisite abilities to make positive financial decisions. Based on this theory, investors have a higher possibility of making investment decisions that would have positive financial impacts based on access to information. That would support the need for having to engage with social learning theory as a key theory focused on improved financial literacy as part of improving the financial management practices.

Bandura Ross, and Ross (1961) posit that the theory of social learning displays the way social factors like source of information and the advice on financial matters affects how a person behaves. The attitude towards money exhibited by people is caused by the environment surrounding them. The impact of social interactions on how people behave have been modelled and tested in various different situations (Bandura, 2007). Social involvement may have an impact on what people decide concerning finances and how they will receive information and process it by getting involved with others. Greenspan (2004) did a study in the United States concerning pension plan and established that peers have a great influence on the pension plan of individuals because the people had not thought a plan that is suitable for them.

Majority of the workers used the information they received from their peers when making decisions because they don’t have their own information to decide on the pension plan that will best suit their situation. In addition, another factor that affects the process of making a decision is social norms, because the people wish to look the same as those people they share same social class (Gravetter & Forzano, 2003). In addition, investment decisions made by investors is likely to be based on the information the is currently present in the market, if an individual thinks of investing and knows of a certain investment with high likelihood of making profits then the individual is likely to invest in such investment because they are assured they will gain high returns (Goel & Dolan, 2003).

The individuals who proposed this theory indicated that education completely changes the way individuals behave, this implies that people are capable of learning new things especially when it is concerning making decisions involving finances (Glaeser & Scheinkman, 2003). This theory plays a very during their childhood and youth stages in life is determined on their surroundings. As children grow and interact with the society they start to develop their understanding, value and attitude concerning finances. There are various things/people/group that shape the understanding and attitude of the young; this includes family, friends, community, nation, school, church and media (Bubolz & Sontag, 1980). Those with the greatest influence of all are parents and peers. The influence by parents happens at the young age while peers influence happens at later stage in life, when they are older after their secondary school education. Parents and peer affect financial decision of a person, their attitude and how they behave, this are all the environmental factors (Jorgensen, 2007).

2.2.2 Psychosocial Theory

Another key theory that is important to understand is the psychosocial theory, which is a theory focused on specific conflicts arising during the course of development that may have an impact on individuals behaviors regarding finances (Mandell & Klein, 2007). Some of the key issues in development that are important in defining financial literacy include trust, will, and self-regulation each of which focus on a specific aspect of the decision making processes. In financial security, one must incorporate the element of trust for financial institutions, which would act as a guarantee of success towards ensuring that one makes the expected financial decisions. Ultimately, this would point to the fact that trust is one of the crucial elements that define the financial decisions that one would make especially when faced with two or more decisions.

The focus of this theory is the conflict of development that has some significance with financial behavior. The theory agrees that education concerning finances should be thought to the young individuals before they reach their adolescence because it is thought that at this stage power and self-regulation starts developing. The theory indicates that taking part in positive decisions regarding finances depends on positive identity, self-confidence and independence which develop at the stage of adolescence and progresses to the next stage of life which is adulthood (Lusardi & Mitchell, 2011). At this stage the duty performed by caregivers is very important so are family and community norms.

Falicov (2005) made a conclusion that family social context, personal limits and connections with other people is very important in establishing the way finances are viewed. This is supported by a research conducted that established that the number of stockownership in a particular community will highly motivate a person to take part (Atkinson & Messy, 2005).

“Financial behavior” can be explained as any character related to managing of funds, and this includes budgets, investment, spending, borrowing, saving and management of risks (Wolfsohn & Michaeli, 2014). Financial behaviour is influenced by both internal and external factors. Internal factors relate with the attitude, feelings and thoughts of a person towards money. Most of the time, emotions guide financial decisions and not financial plans (Nelson, Smith, Shelton, & Richards, 2015). The beliefs and behaviour an individual learns from their family is the strongest internal factor that will influence their view of money. Culture, media and peers are some of the external factors.

The theory further states that decisions reached by a person are dependent on two factors: the first factor is their attitude towards the behavior and the second is the subjective norms. The first factor “Attitude toward a behavior” refers to the level whereby the way certain behaviour performs is positively or negatively evaluated, and the second factor “subjective norm” refers to the pressure from the social to either take part in a certain behavior or not (Colman, 2001). Intention refers to how ready a person is to do a certain behavior, it is considered immediate antecedent of behavior.

The psychosocial theory highlights financial literacy as part of the preadolescent stage during which time teenagers and young adults are able to gain basic information on how they would establish their financial decisions (Kefela, 2010). In this case, dairy farmers ought to develop some level of trust for K-Unity Sacco, which would provide them with a higher capacity of making financial decisions that would reflect on the mission and vision of the Sacco.

2.2.3 Financial Literacy Theory

Mandell and Klein (2009) suggest that the financial literacy theory helps in describing financial knowledge gained as part of one’s investments attributed to the fact that this would pave the way for one to make financially related decisions that are properly researched and well-informed. Largely, the idea of improved financial literacy may have a positive impact towards shaping the nature in which an economic structure is designed. Application of the financial literacy theory to dairy farmers in Kiambu County, this would provide them with that basic sense of understanding of how they ought to approach the issue of financial decision-making. In the long-term, this would be of value in defining their individual policies on issues associated with finance, which would enhance the possibilities of achieving their intended vision. The issue of financial literacy does not only affect developing countries, such as Kenya, but also touches on some of the developed countries eliciting interests on areas of investment.

Thus, this means that understanding or evaluating the effect of being financially literate on management of finances would not only bring to floor the possibilities of success on a social front but would also translate to a strong economic foundation. Theoretical models that involve the behavior of a consumer and the economic environment have the assumption that individuals are capable of saving and cut down on spending all which needs an expert and skills of carrying out complicated economic calculations. This is not real in the real world, the percentage of individuals possessing extensive financial knowledge suitable for making and executing complicated plans are very few. More so, the process of gaining that knowledge is not cheap it comes with a cost.

During the days when the pension plan was handled by the government, individuals were less concerned with the details of the plan. Nowadays, saving, investment, and dissimulation for retirement are done in a manner that is more personalised. People in the research industry and policy makers are trying to push for more insight to be available concerning the gaps existing between models and reality, in order to establish how to improve on the theory, and how policies can be improved.

Schagen and Lines (2006) gave the definition of being financially literate as “being able to make judgements that re well informed make effective decisions with regard to money management and its use”. Morgan (2003) explained it as “having the appropriate knowledge with regard to spending, saving, budgeting and determining the level to which an individual is financially literate ought to determine their circumstances.” The way individuals get to manage their finances regarding insurance, savings and budget planning is considered to be financial literacy (Hogarth, 2002). Financial literacy can be established using experience, expertise and individual’s needs, and it can positively affect individuals’ involvement in financial markets and services.

Through financial literacy an individual is prepared for tough times (financially), by those strategies that are applied in mitigation of risks such as insurance, savings, diversified assets, etc. Financial literacy makes it possible for an individual to make proper decisions such as paying debts on time, managing of debts in a proper way thus improving the individual’s credit worthiness. Another advantage brought about by financial literacy is it provides individuals with great control over their future financial state, effectiveness in the use of finances and its related products it also reduces the chances of being victims of fraud and overzealous retailers. When the customers are financially literate, it forces financial regulators to better how efficient and quality their services are (Falicov, 2005).

Less attention has been directed to the way individual acquire financial literacy. Recently, researchers have tried to explore why people opt to gain knowledge regarding finances and how the knowledge they obtain is associated with their habits of saving and investing. Some of these researchers including Delavande, Rohwedder, and Willis (2008) did a study which presented a model of how consumers save and allocation of portfolio that made it possible to acquire human capital if form of knowledge in finances. The research agrees that individuals will opt investing in gaining of knowledge regarding finances to enable them get access to higher-return assets: through training individuals are assisted in determining assets that will perform better or employ financial experts who will guide them in reducing investment expenses.

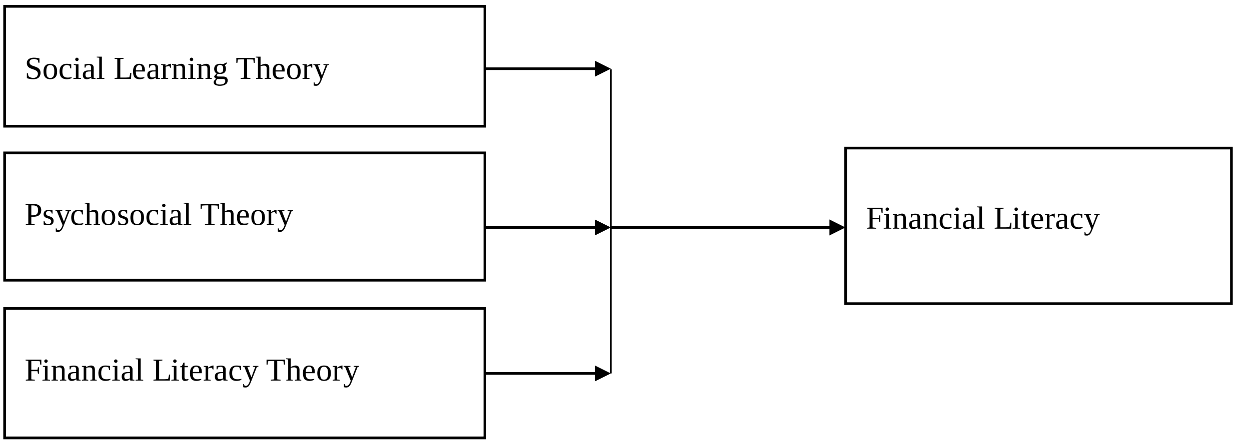
Jappelli and Padula (2011) further sketched a life cycle model whereby financial literacy was established in an endogenous manner. Their model predicted that being financially literate and being wealthy will strongly correlate over the life cycle, with both of them experiencing a rise until retirement is reached then after this point it will start to fall. It was further suggested that in those regions whose social securities are in generous amounts, the motivation to save and accumulate riches will be low and therefore they have less push to get invested in financial literacy.

2.3 Theoretical Framework

This particular section focuses on providing readers with an orientation of some of the key theories that were of value in evaluating financial literacy and its impact in changing one's perception on financial management. As part of understanding the effect of being financially literate on the area of managing finances, it would be essential to embark on an analysis of several notable theories that may apply to this particular topical area. The theories will help increase understanding on how literacy in the area of financial management may have on the intended financial practices. Some of the key theories that the study focused on include social learning theory, psychosocial theory, and the financial literacy theory.

Figure 2.1

Theoretical Framework



Source (Author 2018)

2.4 Empirical Review

2.4.1 Investment Practices

In order for an individual to decide on savings and investment, they need to have knowledge not only on basic financial concepts but also on the association of risk and return; the way bonds, stocks and mutual funds operate (Lusardi & Mitchelle, 2011). Smith and Barboza (2013) focused on examining financial management practices that result from financial literacy and illiteracy among employed and unemployed individuals within the society. The nature for financial management practices perceived by an individual is an indication of the level of financial literacy. This means that, financially illiterate individuals may have certain practices that may portray their lack of information concerning financial management techniques.

A survey conducted on a sample population of 200 individuals indicated that the financially educated people engaged in management practices such as savings and investments and were able to manage their finance appropriately. On the other hand, financially illiterate individuals lacked proper and defined financial management skill that led to the practices such as high expenditures on unplanned activities translating to poor investment and incurring of debts. The study concluded that the financially educated individuals had higher chances of gaining more income and having more returns on their investment unlike those that did not have access to financial education who risked becoming poor due to poor financial management practices (Smith & Barboza, 2013).

Vieira (2012) did a study that investigated impacts of financial literacy in making decisions concerning the individual investments. The study indicated that there was an association between being financially literate among individuals and nature of investments decisions made by the individuals. The research conducted on a sample of approximately 10 companies indicated individuals with access to financial information engaged in major investment decisions compared to individuals without access to financial information. According to the study, the companies offering their employees with financial information through different programs recorded higher financial performances of the entire firms unlike the companies that did not have such programs. The study concluded that access to financial information that translates to increased level of literacy among individuals influences the investment decisions made by individuals. In such cases, the individuals engage in profitable investment opportunities, which results improved living standards.

In his study Narula (2015) undertook a study to establish the extent to which retain investors in Delhi were financially literate. Financial knowledge has over the past years been area of focus for policy makers as well as researchers. His study was focused at establishing various demographic factors on financial literacy and also to comprehend the difference between personal decisions to invest by different individuals with varying level of financial literacy. Data for the study was gathered from 100 individuals using structured questionnaire. Analysis of gathered information was performed using t-test, ANOVA and Friedman Test. From the results of the data it was established that individuals investing had medium knowledge levels and skills in being financially literate and there was significant variation observed between different age groups concerning their levels of being financially literate. From the study it was further revealed that the decision to invest was associated with time period preferred by the investor of similar level of literacy.

Kalsuma, Saritab and Wawo (2018) researched on ways in which financial knowledge affects decisions on investment by in small business in Southeast Sulawesi. The aim was determining and also analysing the influence financial knowledge has on investment decisions by small business in Southeast Sulawesi. The data is analysed using partial last square method with 395 Small Business in Southeast Sulawesi as the respondents.

Choudhary and Om (2018) studied the manner in which individual's investment choices are affected by financial knowledge. It was evident that financial managers have to be financially literate so that they can make proper investment choices. With the application of skills such as investment portfolio, risk, returns and portfolio diversification, finance managers can reach informed decisions and therefore reduce the probability of them being deceived on financial matters.

Arianti (2018) in his research study on ways in which financial knowledge and behaviour as well influences investment income decisions. The focus was analysing and measuring how investment decisions can be influenced by financial knowledge and behaviour. Descriptive research design was used and qualitative data collected using questionnaires. Random sampling was applied in selecting study respondents from a population of 29,231. Data was analysed using descriptive statistics and coefficients computed using SPSS. Financial knowledge was found to insignificantly influence investment decision while income and financial behaviours did.

Singh (2016) conducted a research study on financial literacy and way in which it affects investment behaviour for effective planning on finances. The study purposed to clarify how financial knowledge of investors affected their future financial plans. Causal research design was adopted and data collected from 150 MCD teachers. Chi square, descriptive statistics and rank order were applied in checking the effect of crucial financial literacy attributes on investment behaviour. It was evident that investment decisions made on certain financial instruments were highly affected by awareness on the instrument which is dependent on knowledge, interest and commitment level.

Akims and Jagongo (2017) conducted a research study on financial literacy and how it affected decisions to invest in Nigeria. Researchers focus was exploring financial literacy based on theories and how it affects various decisions pertaining investments in Nigeria. Theories used in the study were decision theory, prospect theory and theory of mental accounting. From the theories, clear understanding was established on effects financial literacy pose on investment choices. It was established that individual's financial literacy ha positive effect on their decisions to invest. Therefore, the higher literacy an individual has on finances, then the higher the likelihood of them making proper investment decisions.

Amisi (2012) conducted an examination on the link existing between financial literacy and the influence on factors affecting decisions to invest. Data collection was done through closed-ended questions. The findings showed that the financial literacy levels needed were far from what was required. The study established that financial literacy significantly affected investment decisions made by deposit taking MFIs. Because of the on-going decisions, members are required to occasionally conduct monitoring and evaluation on performance of their selected investment options do determine whether they need to switch to other funds or investments.

Langat and Abudullah (2019) researched on financial management knowledge and how it is applied among the employees of Kenya Airports Authority in Kenya. The study further did an evaluation of investment literacy and the practices of the employees. Conclusion reached by the study was that despite the effort by the employees to invest in various things, a great percentage did not have the information knowledge on the important elements like the level of returns on different types of investments and fluctuation rate on different assets.

2.4.2 Saving Culture

Saving can be said to be what an individual remains with of what is their "disposable income". "Disposable income" can be explained as individuals' income after taxation (Urban Institute, 2008). Savings is explained as change of income and what is consumed, implying as consumption increases, savings reduces (Lusardi & Mitchell, 2011). In their study, Vyvyan, Blue, and Brimble (2014) conducted a detailed survey on effects of financial information on development of saving practices. The survey incorporated the use of detailed questionnaires used in collecting primary data from study population. The researcher implemented the technique of content analysis to analyse the qualitative data obtained and the use of descriptive statistics in analysing quantitative data ensuring reliability of analysis process. The findings obtained from the study indicated that individuals with proper financial education presented better financial management skills due to the information provided in financial education programs that lead towards positive financial behaviours. Approximately 75% of the participants in the study experienced a major shift in their expectations attributed to the changes in their financial management practices especially on the front of having to engage in saving.

On the other hand, Beverly and Burkhalter (2005) sought to establish whether financial literacy may have any impact towards improving access to credit based on the financial decisions that one is able to make. According to the findings, financial literacy creates an avenue where individuals experience a shift in their financial practices allowing them to create more emphasis on the idea of saving as a key financial management practice. That exposes these individuals to increased access to credit facilities attributed to the saving culture that the individuals develop. Through increased saving, it would also be much easier for people to make financially related decisions that are positive depending on what they would consider as being effective investment focused on financial gains. That would mean that financial literacy works towards ensuring that it is somewhat easier for individuals to evaluate the impacts of their financial management practices.

The need for financial literacy is not only evident within developing countries but also occurs within developed countries attributed to the fact that a big number of people do not have the necessary information that would allow them make positive financial decisions. Taylor and Wagland (2013) suggest that changing of the perceptions that people tend to have towards financial education may help improve on the literacy levels significantly. That is evident from the fact that more people would be in that basic position allowing them to define what they would expect from their financial management practices. Thus, this would mean that any activities that the individuals may view as not having any benefits would need to change with an intention of having to create a front where more people would experience better financial outcomes.

Pangestu, Karnadi and Foroudi (2019) studied the manner in which financial literacy affects the materialism and decisions to save by generation Z of Indonesia. The study purposed to investigate whether financial knowledge of generation Z affected their saving decisions. The motivation for this study was the need by the government to have financial inclusion and cultivate human resource in the entire country. Data was collected from 430 students in various universities to determine their level of financial literacy and materialism and also their rate of savings. Regression findings established that gender, age and area of study had significant effect on their financial literacy levels. In addition, the financial knowledge had positive influence on the decision to save while materialism had negative influence.

Mahdzan and Tabiani (2013) did a study on the effect of being financially literate on personal savings in Malaysia. The study surveyed 200 respondents with various demographic and economic behaviours. From the finding it was established that financial literacy was greatly associated with high levels of saving. The study suggested that it’s the role of the government to boost financial education for the purpose of bettering savings among its citizens. A study conducted in Thailand by Suwanaphan (2013) made a conclusion that, general low levels of financial literacy had a negative effect on saving behavior or led to individuals overspending. The study also concludes that it is the responsibility of the government to educate its citizens on financial management in order to better the saving habits of its population.

Supanantaroek, Lensink and Hansen (2016) studied ways in which social as well as financial education affects the attitude of people on savings and behaviour among children in Uganda. The study examined the manner in which training children on financial and social education affected their attitude towards saving Children in primary schools were used. The study applied a randomized phases when schools implementing the Aflatoun program were randomized. Treatment group was pupils in schools that implemented the program while the control group was those that were yet to implement it. Program duration was three months and 16 hours. The stud then conducted comparison analysis between the treatment and the control groups. It was found that through the program, awareness was increased on money recording and also saving attitude. Also, it established that the program was able to increase savings, though the evidence was little.

Arosanyin, Olowosulu, Oyeyemi and Mobolaji (2014) evaluated the culture of saving among commercial motorcyclists in Nigeria. It was an empirical study that examined the culture of saving using data that was collected from University in Northern Nigeria. Stepwise regression was applied in analysing the data collected. From the findings, 80% of the respondents saved. 70% of these individuals however did not save in the bank and therefore causing possibility of being financially excluded. In addition, savings had a positive relationship with earnings but negative with age. For full operator, the probability of them saving is 8.594 times higher than that of part time operator. The study concludes that more regulatory framework that enhances the earning capacity of the operators would also enhance savings among them.

Nyamute and Maina (2011) conducted an examination on individual practice of managing finances which included saving habits of workers both with financial literacy and those illiterate. Study's perception was that financially literate individuals had received some form of financial training. That data was gathered from 192 employees using questionnaires. From the findings, it was revealed that most of the employees adopted the habit of saving, by them setting aside some of their salaries. It was also established that those individuals who were financially literate always looked for chances they could save money always setting aside a portion of their salary unlike those employees who were less educated on financial management. Klapper and Panos (2011) in their study in developing countries examining the effect of being financially literate on retirement saving in Russia. The study established that high levels of education on financial management have a positive association with planning for retirement.

Olima (2013) did an investigation on the impact of being financially literate on saving culture and planning for social security of KRA employees. Semi-structured questionnaires were used in data collection. Analysis of the gathered quantitative data was done using descriptive statistics. To determine the relationship between being financially literate and personal management of finances, multiple regression analysis was conducted. Financial literacy was found to impacts greatly personal management of finances since programs on financial education guided development of programs as well as their refinement. Financial knowledge in general greatly affected individual management of finances. Nonetheless, majority of the respondents were of the view that retirement planning isn't of great importance. In addition, their awareness level on influence of estate, insurance and tax planning was low.

Langat and Abudullah (2019) investigated the effect of saving literacy among the employees of Kenya Airports Authority in Kenya . The conclusion of the study was that despite the ability of the employees to save, the levels of their saving knowledge/skills were minimum compared to the rate at which they were spending and the knowledge and practice they had. It implies that the knowledge the students had on savings and spending were not of same level, they mismatched. Hinga (2014) researched on the link existing between financial knowledge of individuals and their savings. The study was conducted in Nairobi among employees of Postal Corporation of Kenya. Researchers focus was determining whether financial knowledge and savings were elated. Semi-structured questionnaire was applied in analysing the data. The study gathered quantitative data analysed using descriptive statistics computed in SPSS. Financial knowledge was found to have great effect on individual savings. Also, education, saving regularity, risk tolerance and income were found to affect savings of individuals.

2.4.3 Budgeting Practices

According to Braunstein and Welch (2002), the level of being literate financially among individuals is directly proportional to nature of priorities made by the individuals in regard to financially related decisions. Braunstein and Welch (2002) conducted a cross sectional survey among individual customers within different banks to establish the nature of financial priorities made by the individuals and their individual levels of financial information. The study used questionnaires as main method of gathering data in a bid to obtain relevant data from the sample selected. The results obtained from the research indicated that customers with access to financial information had defined measures in making their financial priorities and decisions unlike the customers with minimal or no access to financial information. The customers with higher level in terms of being financially literate were in a position to undertake proper management of their financial through making appropriate decisions on what to do with their finances thus increasing chances of higher return on their finances.

Ototo (2009) in his study on the impact of budgeting process on financial management, it gave a proposition that the budget should be used in proper manner to make sure that resources are used in an effective manner. The study further recommends that, preparation of the budget should be in a manner that everyone requiring to use it comprehend it clearly with no difficulty. The study concluded that capital budgeting methods improve performance. Operational budgets plays the role of predicting, helps in control, it plays the role of managing communication with other departments, and acts as ways of improving performance and also encourages workers to do better (Kigochi, 2008).

Navickas, Gudaitis, and Krajnakova (2014) researched on effects of financial knowledge on managing personal finances in young households. Researchers focus was on benefits of financial knowledge in managing finances. It is important o to foster the art of managing finances form an early age since costly mistakes can be made by youths and these mistakes are hard to rectify in the future. In addition, being financially literate will positively affect daily decisions and thus can result to a higher saving rate and therefore improving quality of life. Hemsing and Baker (2013) sought to determine the effect of tight budgetary practices on behaviours of managers in the public sector in Sweden. They used descriptive survey design and sampled 62 Managers selected from universities and municipalities. It was evident that majority of the managers studied faced constricted budgetary controls.

Shahrabani (2012) studied the manner in which emotions and financial knowledge affected the intention to budget. The study was conducted among college students in Israel. The study timing was perfect since it was in 2010 just after the financial crisis. Results showed that budgeting intention by students was influenced by their debt frequency in the past, negative feeling experienced whenever bank balance is overdrawn significantly, nationality, the level of financial knowledge and income levels. Also, positive attitude in relation to management of finances acted as a negative moderator on the effect of past debt on the intent to control individual budget with no significant debt. Improvement of financial knowledge and change in attitude towards management of finances has the possibility of increasing intents to budget.

Vanhorne (2001) established that cash budget is commonly used cash management tool. Creating a lot of smaller budget will assist managers to establish which operations use more money and struggle to stay within the prepared budget. This discovery provides managers with information on whether there are improvements needed to be done within the company in order to deal with any issues pertaining cash flow in the company. Udojung (2010) indicated that cash planning isn't a science but a continuous interactive process involving various parts of the organization; the process can be done every day, week, or monthly basis. Pindado (2004) did argue that any cash budgets prepared can be estimated with cash flow. Whatever is estimated is not always correct, therefore the variation in cash budget cannot be avoided.

Mundu (2007) did a review of practice on managing finances that are embraced by Kenya's SMEs. The findings of the study established that 66% of SMEs did not take part in budgeting of their income, 70% of the managers/owners of businesses kept their additional income within themselves they did not save or invest it in other businesses and more than 56% of owners of businesses handled their money personally as a way to secure their money. The study further established that above 70% of respondents offer credit services to their customers who they know personally. Those accounts that were overdue were followed up through reminders by calling them or by visiting them in person; 70% of businesses did charge prices based on full cost and also margins that were the basis of full cost an also mentally calculated prices or selling at the price similar to that of the competitor and only 16% kept cost controls reports. More than 80% of businesses prepared business plans with the main intention of securing finances. The findings resulted to conclusion made that for Small and medium enterprises to survive it greatly depend on good practices of managing funds. The study indicated that there was a negative association on methods of budgeting finances and performance financially.

Having a budget is a very important practice of managing finances. Schnittgrund and Baker (2003) gave a report that most of families that earn low levels of income in urban areas always use a budget plan even if the budget is not written but just mental; they further established that these families got satisfaction from whatever they earned but were not satisfied with their behavior of saving. Mullis and Schnittgrund (2014) also established that those individuals who kept a budget were more satisfied with their spending habits compared to those individuals who did not keep a budget. Rettig and Mortenson (2006) reached a conclusion that most of the families have plans in place regarding their plans of spending or even keeping records.

2.4.4 Debt Management Practices

According to a research conducted by Remund (2010) in the financial institutions within the United States, access to financial information have a major influence on the lending decisions made by banks and other financial institutions. The study implemented the use of detailed questionnaires issued to the banks as a way obtaining primary data that would be necessary in creating a conclusion for the given study. Data analysis was based on statistics obtained from the study indicated that the lending decisions made by the financial institutions are subjective to literacy level of a person in regards to finances. Majority of the individuals with adequate information concerning financial management have increased chances of loan facility approval due to their understanding in matters concerning financial priorities and financial management. Most of the financial institutions design their products and services allowing individual customers to have access to financial information that enhances their financial literacy thus becoming eligible for services such as loan facilities.

In their study, Grohmann and Menkhoff (2015) investigated the impact of financial literacy among individuals in Houston, Texas as part of evaluating the impacts of financial education on improved management. Through this study, it was evident that financial literacy education provided more individuals with a higher platform for having to make effective financial decisions regardless of their income ranges. The study involved the use interview guides and questionnaires as the main methods to acquire the relevant data required for the study. The researcher implemented the use of content analysis to conduct an effective analysis of the data obtained and establish the impact of being financially literate in the management of finances within the society and among the individuals. The results from the analysis indicated that being financially literate and enhanced financial management practices were positively correlated. The relation indicated that individuals with literacy in financial activities have a higher possibility of engaging in positive practices and develop better financial management practices.

Ball and Beatty (2004) discovered that most farmers borrowed money in order to provide for basic needs of their families and in the situations that their level of income dropped, they were not able to repay the borrowed money. Majority of the farm families depend on income from other sources in order to provide for their families. Marlowe and Godwin (2008), established that only income wasn’t a good measure of financial well-being of a farmer; debt-to-asset ratio can be used to determine the financial condition of the population. They further revealed that farmers with less experience had high debt-to-asset ratio compared to those with many years’ experience. In addition, they established that farm families whose heads are educated are in great debts compared to other families.

Bahovec, Barbić and Palić (2015) researched on establishing the influence of financial knowledge on debt behaviour of financial clients with the use of multivariate analysis techniques. The study applied cluster analysis in categorizing financial knowledge and determining if the financial knowledge of the selected respondents was different based on their gender and income levels. The study made use of the non-parametric test-Kruskal Wallis H test. The cause of variation in debt behaviour was sought and was based on various levels of financial knowledge and analysis using the post hoc technique with the application of Dunnett's C test. It was evident that respondents had distinct debt behaviour because of their different levels of financial knowledge. Additionally, the amount of disposable income by each member was not significant in relation to the distinct level of financial knowledge, while the levels were found to be statistically significant in relation to the gender of the respondents.

Kotzè and Smith (2013) researched on financial knowledge and management of debt by individuals: ad the potential link with new ventures created in South Africa. The study focused on the perception of 286 students studying business management and had worked not less than three years and had experience with management in relation to bot financial knowledge and desire and need for financial literacy. From the findings, it is evident that financial education and knowledge are necessary. Respondents were found to lack confidence in their money management skills and were interested to increase their financial knowledge. Therefore, increasing the level of financial literacy might result in increased entrepreneurial activities and rate of business failure will decrease.

Nyamute and Maina (2011) researched on individual practice of managing finances which includes the art of saving, spending, management of debt and cash, investment, retirement and practices that are unexpected of financially literate employees and those who aren't. From the findings, it is evident that there is a significant distinction in management of finances among the financially literate individuals and those who aren't financially literate. Therefore, financial literacy levels of individuals affect their financial management. Lusardi and Mitchell (2011) indicated that the saving behaviour of individuals was affected by their level of financial literacy and also level of education affected the selection of alternative credit source. It is of great importance for those individuals who intend to be self-employed. Greenspan (2004) explained that financial literacy has helped in inculcating people with financial knowledge required for the creation of household budget, initiating saving plans and making strategic decisions regarding investments. Proper knowledge application assists investors in meeting their financial responsibilities by wisely planning and allocating resources in order to ensure that the utility derived is optimal.

Mwangi (2013) evaluated the impact of being financially literate on accessibility of credit by households in informal settlements. The study also gathered data on the financial management skills used to manage personal finance by households in informal settlements, their levels of financial literacy and its effect on credit access. For the purpose of fulfilling the intentions of the research study, the study involved four slums in Nairobi, which included Mathare, Kibera, Mukuru Kwa Njenga and Korogocho. The research design utilized was survey method and convenience sampling was done basing on the relative number of households who were willing to take part. The gathered data was organized, coded and its analysis was done using descriptive statistics and presentation was done in ratios, tables, charts and graphs. Households located in the informal settlements in Nairobi were less literate which greatly affected their access to credit facilities from both government and privately owned financial institutions.

Lusardi and Mitchell (2011) revealed that those individuals with less financial literacy had a high likelihood of having credit issues. The reason was they would incur high costs of transaction, they would pay high fees and borrow loans with high interest rates, illiterate individuals also revealed that they had excessive debts and they were not in a position to judge their debt positions. Stango and Zinman (2006) made a conclusion that the individuals who were not in a position to calculate the rate of interests were likely to borrow more and accumulate less wealth. The findings also suggested that people often ignore the percentage of interests they will be charged on borrowed loans, this is in agreement with Stango and Zinman (2006) who indicated that people usually underestimate percentage of interests charged. Being financially literate is an added advantage since it makes one aware of traits like paying bills on time and avoiding being in huge amounts of debts which is advantageous because one is able to access credit in tight credit markets (Miller, Godfrey, Levesque & Stark, 2009).

Kamunge (2016) sought to determine whether the practices of budget control were applied in management of secondary schools. The study was conducted in the region of Meru. Research design adopted was descriptive survey. Sample size of the study consisted of 160 secondary schools in Meru North Region. Both open and closed semi-structured questionnaires were applied in gathering data. There was positive relationship between management of secondary institutions and budgetary control practices by the schools.

In the Kenyan scenario Nyamute and Maina (2011) researched on the practice of managing debt among a total of 192 employees. Questionnaire was the selected tool for data collection. It was evident that high management of debt was practiced by the literate group and not the illiterate one. In addition, those individuals who were not financially literate faced challenged when it came to timely clearing of bills (Brown & Graf, 2012). Gatakaa (2010) using census survey researched on the link existing between financial knowledge and the practice of managing personal finances. The study was conducted among all the 43 commercial banks in Kenya that have been registered and licenced by the Central Bank of Kenya (CBK). Individual financial knowledge was found to have no effect on the decision to lend by increasing the probability of being approved by the loan facility. The key is the level of understanding by clients on the decisions and consequences and thus demonstrate how serviceable they are. Therefore, clients have minimum or no access to information past the scope of the product on personal financing from financial institutions. Majority of the financial institutions have various products and services that are tailored towards crucial areas aspects of individual finances: tax plans, saving and investment goals, net worth, planning for retirement ad also planning for estate/property.

2.5 Conceptual Framework

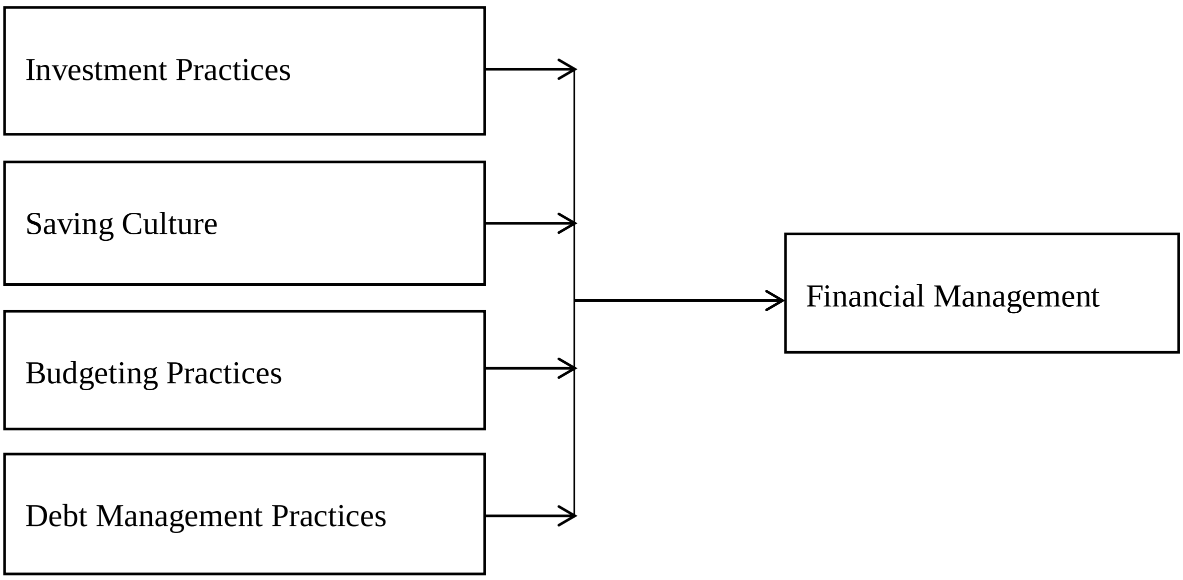
The conceptual framework seeks to create a link between the findings from the empirical review with some of the key considerations in the topical area, which in this case focuses on financial literacy and financial management practices. The utilization of conceptual framework may help provide readers with that basic comprehension on the way they ought to approach issues related to financial literacy. Based on the expectations of the study, it's clear that engagement in financial education helps in promoting that overall platform for individuals to achieve better financial literacy. Financial literacy provides individuals with that avenue for having to make sound decisions that would reflect on the expected positions regarding the need for improved investment (Shambare & Rugimbana, 2012).

Ultimately, this would mean that financial literacy may significantly affect individual's capability to reach a sound investment decisions reflecting on enhanced financial outputs based on higher profit margins. Financial literacy may provide individuals with a better understanding of what to expect through introduction of new financial management practices (Mandell, & Klein, 2007). The major challenge in creation of effective financial management practices is the fact that most people do not

have the knowledge that would allow them weighs in on their impacts of their practices. However, this may change significantly through financial literacy focused on providing them with a better sense of understanding on what they ought to expect as part of their strategies to dealing with financial management.

Figure 2.2

Conceptual Framework



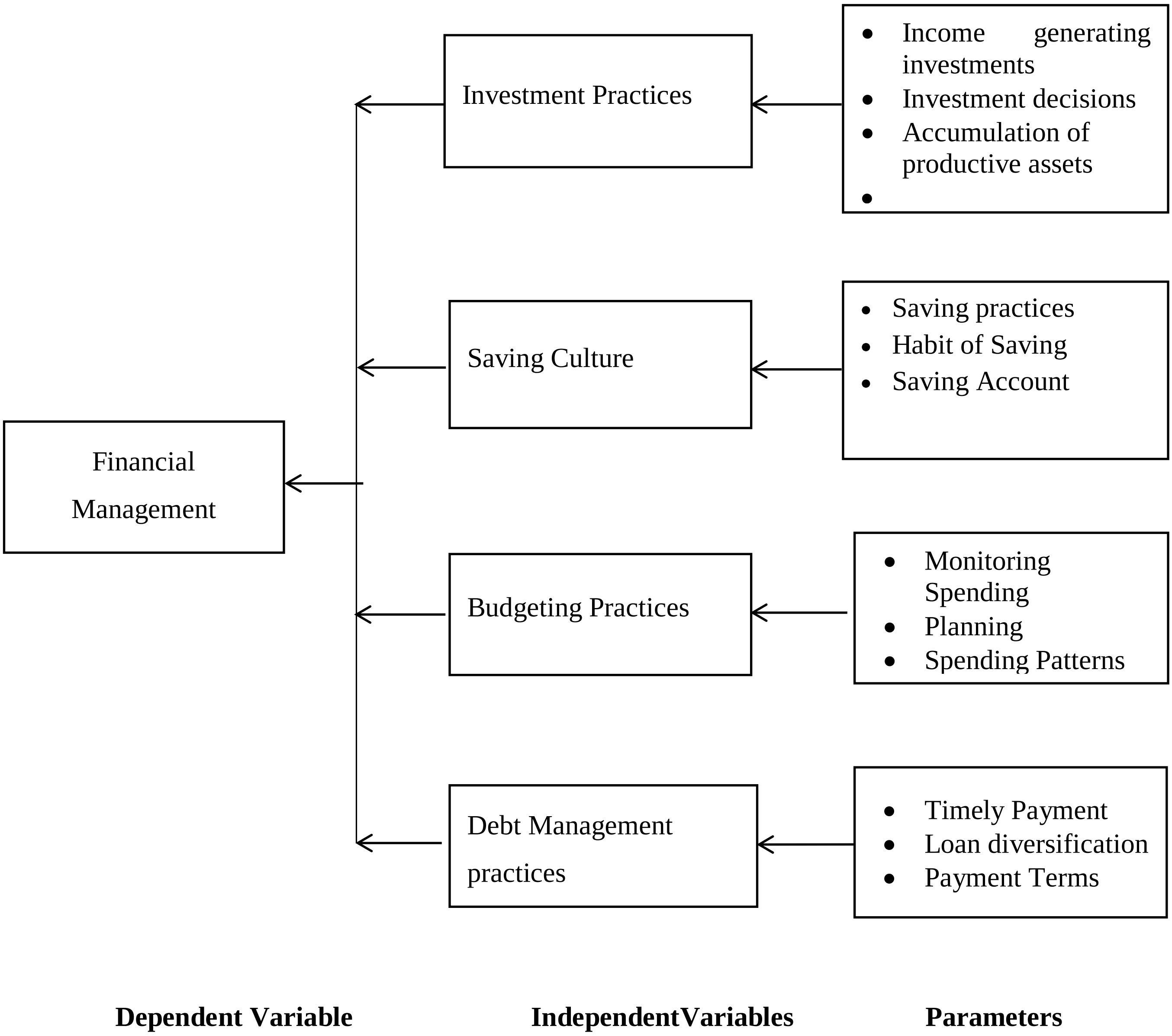
Independent Variables **Dependent Variables**

Source (Author 2018)

2.6 Operationalization Framework

Figure 2.3

Operational Framework



Source (Author 2018)

The operational framework sought to create a link between the study variables. The study focusing on dairy farmers in Kiambu County, Kenya focused on whether the idea of having to improve on financial literacy may result in changes in perceptions among these farmers on financial management practices. Although dairy farming has remained as one of the key farming activities within Kiambu County, most of the farmers experience major challenges in shifting their operations to higher magnitudes. That comes about due to the fact that most of these farmers find themselves lacking the expected knowledge or information that would allow them to undertake effective financial management practices.

The studies from the empirical review suggest that being financially literate shouldn't only be considered from a formal point of view but may also be considered from a social perspective that guarantees flow of information. The flow of information from one dairy farmer to another within the country will help bring about some sense of connection with regard to financial expectations. Ultimately, this would help every farmer in the country become financially literate as a way of reducing the possibilities of poor financial management practices as a way of ensuring that these farmers achieve the intended benefits of their farming activities. Another key element of consideration is on the fact that most of these farmers lack information on areas in which they ought to invest as part of their financial management practices (Wachira & Kihiu, 2012). Through enhanced financial literacy, it would be easier for these farmers to identify specific areas in which they would invest as part of their performance capacities.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This part of the study highlights the processes that were applied in conducting the study. Methods of obtaining data were established and data was gathered for analysis using the methods developed. This section therefore discusses the target population, samples, study design, data gathering techniques/instruments and how data was analysed. In this research project, descriptive design was adopted. The researcher assisted with research assistants paid a visit to the respondents and asked them the influence of financial literacy on financial management practices.

3.2 Research Design

Cooper and Schindler (2003) defined research design to be a plan in place to help in attaining the objective of the study. Descriptive research design was adopted in this study. Kombo and tromp (2011) defined descriptive research as describing the current state of affairs of a certain population being. Despite that fact that the description of the data is factual, of accuracy and systematic, it is not possible to explain the cause of the situation. Therefore, this type of research cannot be applied in creating a causal association, whereby one variable affects the other variable. As explained by Mugenda and Mugenda (2003) descriptive research design is the procedure that is used to gather data with the aim of answering questions related to the topic under research. Therefore, this research design was suitable for this study because it enabled thorough analysis and explanation of different aspects being investigated. It also helped to observed and describe study subject behaviour without manipulating them in any way.

The study used questionnaires comprising of open and closed ended questions to facilitate respondents to give extra information freely. It also reduced the chance of subjectivity, because this type of research establishes and gives a report exactly the way things are. According to Orodha and Kombo (2011), this type of research is used to collect data on the attitude of people, their opinion, habits or various issues related to education or social.

3.3 Target Population

Target population is considered to be a group of individuals exhibiting similar characters from which a sample is drawn for measurements. Kombo and Tromp (2011) defined target population as a complete set of cases. In this study targeted population was the active dairy farmers of K Unity SACCO.

Table 3.1

Target Population

Sacco Branch	No of persons
Limuru branch dairy farmers	2051
Kiriita branch dairy farmers	1190
Total	**3241**

Source (Author 2018)

3.4 Sampling Methods and Techniques

Sample design refers to a plan to be used in obtaining a sample from a particular population. It is the method, or the process used by a researcher in choosing items for a sample. Sample design can also give the number of items to be added in a sample that is the sample size. Sampling framework is a comprehensive list from which respondents are selected from (Stevens, 1991). In this study the sampling frame was the number of all K Unity SACCO dairy farmers. The sampling frame for the study was three thousands two hundred and forty one (3241) active dairy farmers.

Stratified sampling design was applied in determining the sample size of the members. This is because when populations vary like in this case where we have different zones of Limuru Dairy Farmers Co-operative Society, it is best if each subpopulation (stratum) is sampled independently. The process whereby members of a population are grouped into homogenous subgroups before sampling is done is referred to as stratification (Kombo & Tromp, 2011). The strata of different branches are mutually exclusive: this means that every element should be assigned to one stratum. After the population has been divided into strata, simple random sampling is done to select a sample from each stratum (Cooper and Schindler, 2003). A simple random sampling was appropriate because it ensured that all members in each stratum have equal probabilities of being selected and it allowed the data to be generalizable within a margin of error (Mugenda & Mugenda, 2003).

Yamane (1967) gave a simplified formula that can be used in calculating sample sizes. I.e. n = N / [1 + N (e) ^2] the formula is applied in calculating the sample size of a large population. A 95% confidence level and P = 0.05 are used. Where sample size is represented by n, population size represented by N and e the precision level. Due to the nature of the study, the researcher adopted Yamane (1967) formula to determine the sample size of the members. The sample size of household consumers at 5% level of significance is as shown:

n= N / [1+N (e^2)];

Whereby n is the sample size sought

N is the target population (no of dairy farmers) = 3241 e is the level of significance = 0.05

n=3241/ [1+ (3241∗0.05^2)] = 356 farmers

Table 3.2

Sample Size

Sacco Branch	Total Population	Sample Ratio (%)	Sample Size
Limuru branch dairy farmers	2051	0.1098	225
Kiriita branch dairy farmers	1190	0.1098	131
Total	3241	0.1098	356

Source Author (2018)

3.5 Data Collection Methods

The data gathered from the respondent is data that touches on the impacts of financial literacy on financial management of members of K Unity SACCO. The researcher collected this data using questionnaire as the sole data gathering tool. Mugenda and Mugenda (2003), indicated that a questionnaire as a research tool consists of series of questions intended at collecting data from the respondents. The questionnaire was semi structured with both closed and open-ended questions. Open-ended type of questions facilitate the respondents to provide responses based on their own opinion and views while closed ended questions asks the respondents to pick an answer from listed options. For the options provided for the open-ended questions they should exhaust all possible scenarios and should also be mutually exclusive (Kombo & Tromp, 2011). The questions in this research study were simple, of logic and straight to the point, this was done to ensure that the so that the respondent finds no difficulty in answering the questions.

The advantage that the questionnaires had over other types of data collection is that they are cheap, less effort from the researcher is needed and the data gathered is standardized thus making its compilation simple. The limitation of questionnaire is that the respondents must know how to read and understand in order to respond to the question. Therefore, for some groups of people it is not possible to conduct a survey by use of the questionnaire. The effect is that the results obtained from the gathered data may be biased favouring the opinion of those deciding to respond to the questions versus those who had been asked to respond and the results may be affected if there was a misunderstanding if the questions. Finally data processing and analysis for large samples can be time consuming. Saunders, Lewis and Thornhill (2009), defined a questionnaire as general term which is inclusive of all data gathering methods whereby every single person is asked to respond to respond to similar questions in an order that is predetermined. It is inclusive of structured interviews and telephone questionnaires inclusive of those questions that are responded to without the presence of the interviewer.

3.6 Pilot Testing

The questionnaire was pilot tested using twenty respondents which the researcher distributed in person with the help of one research assistant in one day. According to Orodha (2004) piloting is a small version of a large study that is carried out for the purpose of preparing for the study and also providing foundation for the design. Validity and reliability are assessed by pre-testing the instruments. Mugenda and Mugenda (2003) indicated that a pilot size of between 1% and 10% is seen as being appropriate and thus in this case twenty respondents were sufficient. The researcher had the opportunity to learn the various weaknesses of the questions and make correction before collecting data more widely (Gatara, 2010).

3.7 Data Collection Procedure

The researcher hired five research assistants from the locality who were conversant with the K Unity geographical area and more so knows the location of members. The researcher gave the research assistants about seventy-five questionnaire each to collect data using structured interviews in a span of two weeks. Researcher also ensured every research assistant administer at least 6-7 questionnaires per day so as to finish the data collection exercise in twelve days. Researcher maintained a register to record the returned questionnaire on daily basis. Researcher also advised the research assistants to assure the respondents of confidentiality on the information provided

3.8 Data Analysis Methods

Data analysis pertains examining gathered data from the questionnaire and making deduction or inferences (Kombo & Tromp, 2011). According to Orodha and Kombo (2002), the analysis was different depending on the intention of the research, how complex the research design is and level to which the conclusions can be reached. After collection of the data, the study checked for completeness ready for analysis. The gathered data that was quantitative in nature was analysed using descriptive statistics using SPSS (Version, 21) and its presentation was by percentages, means, standard deviations and frequencies. The obtained information was displayed using bar charts, graphs and pie charts and in prose-form. This was achieved by tallying up responses, calculating level of variation of responses and also describing and interpreting data in accordance to the objectives of the study and assumptions by use of SPSS (Version 21) to communicate the findings of the study. Qualitative data and aspects of data that were obtained from open ended questions were tested using content analysis. Additionally, the researcher performed multiple regression analysis to establish the correlation between the independent and the dependent variables. The regression equation was:

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon}$$

Whereby Y =, financial management X_1= investment practices, X_2= saving culture, X_3= budgeting practices, X_4 =debt management practices while β_1, β_2, β_3 and β_4 are coefficients of determination and ε is the error term. This assisted in generating quantitative reports by tabulating, percentages and measuring of central tendency.

3.9 Ethical Consideration

A letter of introduction was obtained from the university. The study also obtained a research permit from NACOSTI. The information provided was purely for academic purposes. The respondents provided information anonymously; this is because the data collection tool did not require the respondents to indicate their names anywhere. The information that was collected was not shared in any way either through verbal or written forms of communication. Assurance as given t the respondents that the information they give will be treated with care; this therefore motivated them to provide accurate ad truthful information. The respondents were not coerced to participate in the study and therefore their participation as on a voluntarily basis. Respondents were also required to sign a consent form.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis, their interpretation and presentation. The study also discusses the findings. Data analysis and presentation was done based on the specific objectives of the study. The chapter specifically presents the response rate, general information of respondents, and analysis of each variable. Descriptive and inferential statistics have been used in analysis the data.

4.2 Response rate

Sample size was 356 dairy farmers of K Unity SACCO. 350 of the respondents filled and returned the questionnaire, forming a response rate of 98%. According to Mugenda and Mugenda (2003) a response rate of 50% is adequate; a response rate of 60% is good and a response rate of 70% and over is excellent. Therefore, in our case, a response rate of 350 out of 356 is excellent.

Table 4.1

Response rate

Response	Frequency	Percent
Returned	350	98
Unreturned	6	2
Total	**356**	**100**

4.3 Reliability Results

To test the reliability of the questionnaire, the study piloted it on 20 respondents who were excluded in the final study. The study then used Cronbach's Alpha to test reliability. The alpha value range between 0 and 1 with 0 suggesting the instrument was not reliable and 1 suggesting it was reliable. The acceptable threshold for reliability as explained by George and Mallery (2003) is cronbach alpha value of 0.70 and above. The findings for reliability of data collection tool in this study is as presented in Table 4.2.

Table 4.2

Reliability Analysis

Scale	Cronbach's Alpha
Investment practices	0.805
Saving culture	0.811
Budgeting practices	0.789
Debt management practices	0.823
Planning of unexpected expenses	0.794

Source: Field Data (2020)

The results in Table 4.2 show that investments practices had an alpha value of 0.805; saving culture 0.811, budgeting practices 0.789, debt management practices 0.833 and planning of unexpected expenses 0.794. I is therefore seen that all the variables met he threshold of Cronbach alpha value greater than 0.70. This suggests that the items were reliable.

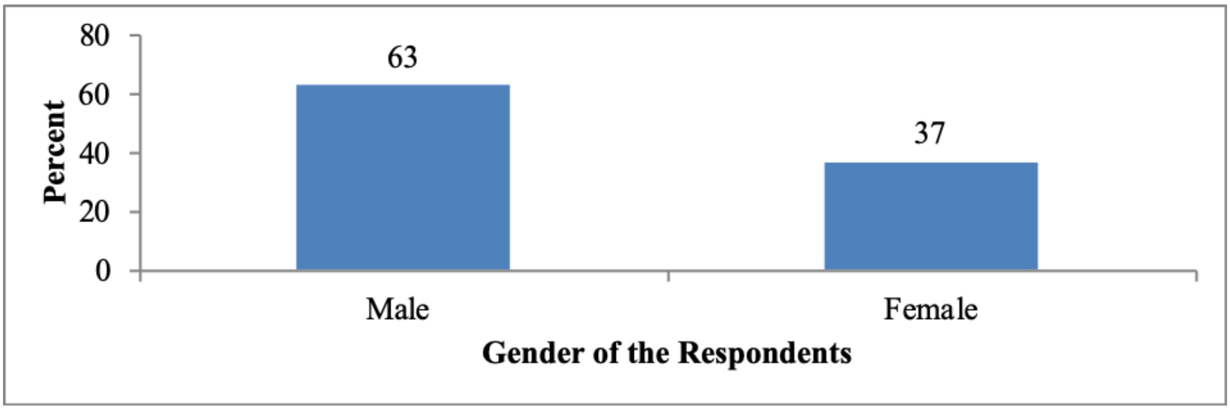
4.4 Demographic Information

4.4.1 Respondents gender

Gender distribution of study respondents was sought and the findings presented in Figure 4.1.

Figure 4.1

Gender of the respondents



From the findings 63% were male and 37% female. This indicates that the study used respondents of both genders and that dairy farming is practiced across genders in Kiambu but majority of them are male.

4.4.2 Status of membership

Respondents were requested to indicate the status of their membership whether active or dormant. The results are shown in Table 4.3

Table 4.3

Status of Membership

Status of Membership	Frequency	Percent
Active	348	99.4
Dormant	2	.6

Total	350	100.0

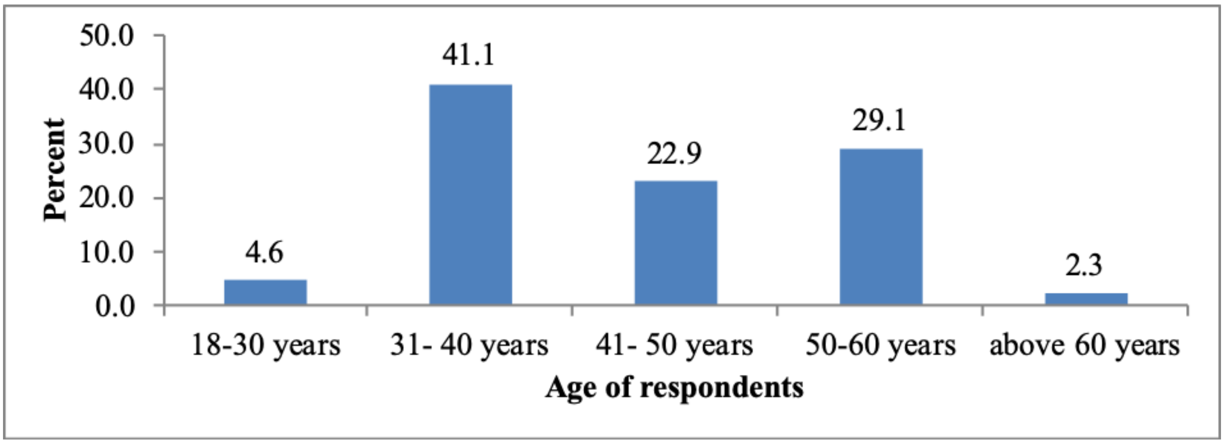
The results in Table 4.3 revealed that 99.4% of the respondents used in this study were active while only 0.6% of the respondents were dormant. This indicates that almost all the respondents were active members and therefor provided the needed information for the study.

4.4.3 Age of respondents

Age distribution of study participants was sough and the results were presented in Figure 4.2.

Figure 4.2

Age of the Respondents



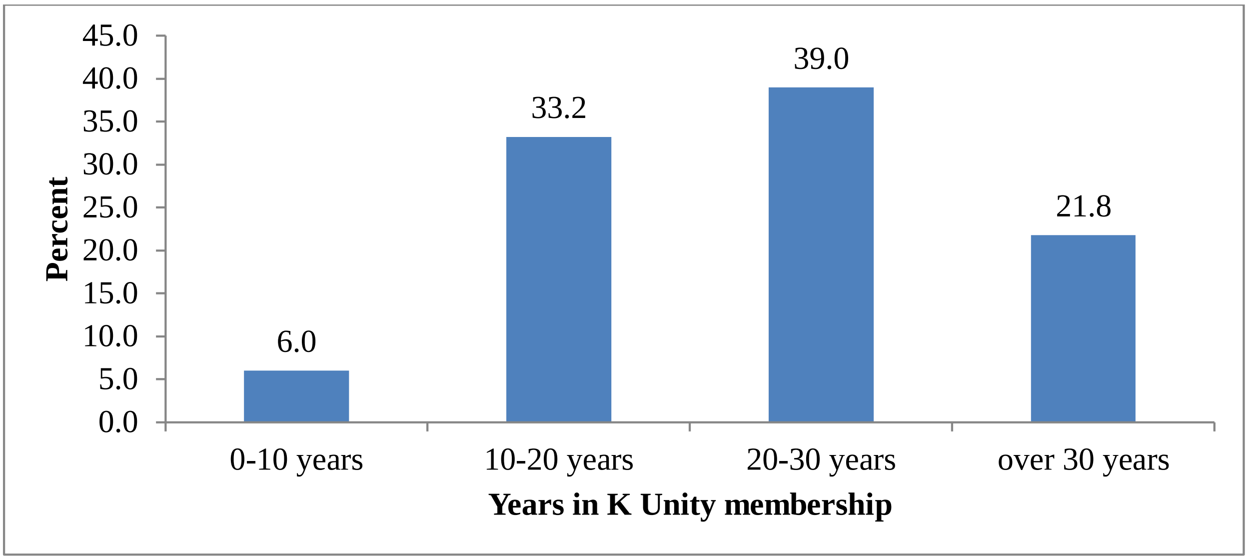
From the findings, 41.1% of the respondents were aged 31 to 40 years, 29.1% were aged 50 to 60 years, 22.9% were aged 41 to 50 years, 4.6% were aged 18 to 30 years and 2.3% were aged above 60 years. This indicates that dairy farming is practiced across all ages in Kiambu County.

4.4.4 Years of Membership in K Unity

Members length of membership was sought and the findings were as presented in Figure 4.3.

Figure 4.3

Years of Membership in K Unity



The results revealed that 39.0% of the respondents have been members of K Unity for a period of between 20 to 30 years, 33.2% for a period between 10 t0 20 years, 21.8% for a period over 30 years and 6.0% for a period of 0 to 10 years. This is an indication that the respondents had been members of K Unity for long periods and therefore they provided information needed for this study.

4.5 Descriptive Statistics

In this section, the study presents findings on the Likert scale questions on each objective. The questions used 5- point Likert scale with 1- strongly disagree, 2-disagee, 3-moderate, 4- agree 5-strongly agree. The results were interpreted using the mean values and standard deviations. The mean value of 1.0-1.4 was interpreted as strongly disagree, 1.5-2.4 as disagree, 2.5-3.4 as moderate, 3.5-4.4 as agree and 4.5-5.0 as strongly agree. The results were as presented in subsections below.

4.5.1 Investment Practices and Financial Management

The level to which members concurred or disagreed with statements relating with the influence of investment practices on management of finances of dairy farmers in Limuru Sub County was sought. The results were as presented in Table 4.4.

Table 4.4

Influence of investment practices on financial management

Statements	Mean	Std Deviation
I engage in other income generating activities apart from dairy farming	3.728	0.986
Income generating activities help me to earn more income	3.553	0.857
I use my extra earning to invest in new opportunities	3.649	0.909
Investments has helped me to use my extra money in a useful way	3.519	0.832
I have invested in non-physical assets to earn more income	3.585	0.749
I have invested in financial assets that yield profits	3.699	0.958

The results show respondents agreed that they engage in other income generating activities apart from dairy farming as shown by mean o of 3.728, they have invested in financial assets that yield profits as shown by mean of 3.699, they use extra earning to invest in new chances indicated by mean of 3.649, they have invested in non-physical assets to earn more income as shown by mean of 3.585, income generating activities help the to earn more income as shown by mean of 3.553 and investments has helped me to use my extra money in a useful way indicated by mean of 3.519. These findings were supported by low standard deviation and indication that most of the respondents were in agreement with the mean. The findings concur with those of Vieira (2012) who concluded that access to financial information that translates to increased level of literacy among individuals influences the investment decisions made by individuals.

The study also sought to establish how investment practices influence financial management of dairy farmers. From the finding the study revealed that most farmers were increasing dairy cattle, introducing other business, improve dairy farming, invest back in dairy farming, invest in poultry farming, land buying, personal and family maintenance, pay school fees, use for expenses at home, buy cattle feeds, crop farming, maintenance, promoting other business, saving, self-development and re-investment, uplift other business and taking care of my family.

4.5.2 Saving Culture and Financial Management

Opinion of members on the influence of saving culture on financial management of dairy farmers in Limuru Sub Countywas sought. The results were as shown in Table 4.5.

Table 4.5

Influence of saving culture on financial management of dairy farmers

Statements	Mean	Std. Deviation
I save part of my income from dairy farming	3.603	0.880
Savings has helped me to cater unexpected expenses	3.671	0.950
I set aside a certain amount of money for saving every time	3.711	0.962
I have set my own specific goal for saving	3.620	0.930
Saving account allows immediate access to my money at any time	1.739	0.984
I have a fixed saving account that attract interest rates	3.705	0.974

From the findings majority of the respondents agreed that they set aside a certain amount of money for saving every time as shown by mean of 3.711, they have a fixed saving account that attract interest rates as shown by mean of 3.705, savings has helped me to cater unexpected expenses as shown by mean of 3.671, they have set their own specific goal for saving as shown by mean of 3.620 and they save part of my income from dairy farming as shown by mean of 3.603. Respondent disagreed that saving account allows immediate access to my money at any time as shown by mean of 1.739. These findings were supported by low standard deviation and indication that most of the respondents were in agreement with the mean. The findings are in agreement with those of Vyvyan, Blue, & Brimble (2014) who indicated that individuals with proper financial education presented better financial management skills due to the information provided in financial education programs that lead towards positive financial behaviours.

On how else saving culture influence financial management of dairy farmers, the study revealed that majority of the farmers were able to make investment from their savings, they were able to achieve long term gaols through monthly saving, saving through Sacco's enabled them to access large sums of money for big investment projects, saving enabled them increase their size of their dairy farming and also saving helped them diversify their investment portfolios.

4.5.3 Budgeting Practices and Financial Management

In this section respondents were asked to indicate their level of agreement with statements about the influence of budgeting practices on financial management of dairy farmers. The results were as shown in Table 4.6.

Table 4.6

Influence of budgeting practices on financial management of dairy farmers

Statements	Mean	Std Deviation
I set funds aside to cater for expenses	3.739	0.982
I monitor my funds to ensure that I do not overspend	3.598	0.887
I have a plan on how to spend my funds	3.733	0.972
I ensure that I stick to my budget when using my funds	3.711	0.997
I monitor my expenditure against my income to ensure that expenditure does not exceed the available income	3.750	1.027
I track my spending to make sure that I do not overspend	3.586	0.901

From the findings the study established that majority of the respondents agreed that they monitor their expenditure against their income to ensure that expenditure does not exceed the available income as shown by mean of 3.750, they set funds aside to cater for expenses as shown by mean of 3.739, they have a plan on how to spend their funds as shown by mean 3.733, they ensure that they stick to my budget when using my funds as shown by mean of 3.711 , they monitor their funds to ensure that they do not overspend as shown by mean of 3.598 and they track their spending to make sure that they do not overspend as shown by mean of 3.586. These findings were supported by low standard deviation and indication that most of the respondents were in agreement with the mean. The findings concur with those of Ototo (2009) who posits that operational budgets plays the role of predicting, helps in control, it plays the role of managing communication with other departments, and acts as ways of improving performance and also encourages workers to do better.

From the findings it was revealed that budgeting practices influence financial management of dairy farmers, through proper planning on spending, maintaining spending within the set limits, avoiding spending what was not yet earned, and record keeping of spending and tracking one spending.

4.5.4 Debt Management Practices and Financial Management

In this section respondents were asked to indicate their level of agreement with statements relating to influence of debt management practices on financial management of dairy farmers. The results were as shown in Table 4.7.

Table 4.7

Influence of debt management practices on financial management

Statements	Mean	Std Deviation
I ensure that I understand the terms of loan payment	3.541	0.861
I pay my loan on time to avoid attracting penalties	3.722	1.035
I borrow funds from different financial institutions	3.660	0.935
Debt diversification helps in minimizing exposure to any single borrower	3.598	0.867
I read and understand the loan terms before acquiring loan	3.603	0.887
I make sure I adhere to the loan terms throughout the loan period	3.670	0.951

From the findings majority of the respondents agreed that they pay their loan on time to avoid attracting penalties as shown by mean of 3.722, they make sure they adhere to the loan terms throughout the loan period as shown by mean of 3.670, they borrow funds from different financial institutions as shown by mean of 3.660, they read and understand the loan terms before acquiring loan as shown by mean of 3.603, debt diversification helps in minimizing exposure to any single borrower as shown by mean of 3.598 and they ensure that they understand the terms of loan payment as shown by mean of 3.541. These findings were supported by low standard deviation and indication that most of the respondents were in agreement with the mean. The findings are in agreement with Brown and Graf (2012) whose results showed that the non-financially literates were found to be more sensitive in sorting out their bills in time

On how debt management practices influence financial management of dairy farmers, the study found that debt management practices enables most of the farmers to expand their farming activities , debt helped farmers in investing in other income generating activities , debt was used for growth of the dairy farming activities and that debt management helped the farmers to achieve their set target .

4.5.5 Financial Management

In this section respondents were asked to indicate their level of agreement with statements relating to financial management of dairy farmers. The results were as shown in Table 4.8.

Table 4.8

Financial management of dairy farmers

Statements	Mean	Std Deviation
My investment activities has helped me to manage my finances better	3.711	0.975
My saving culture has helped me to make investments	3.603	0.899
My budgeting practices has helped me to have control of my finances	3.575	0.881
My debt management practices has helped me to meet by loan obligations on time	3.613	0.874

From the finding the study revealed that majority of the respondents agreed that their investment activities has helped me to manage my finances better as shown by mean of 3.711, their debt management practices has helped them to meet by loan obligations on time as shown by mean of 3.613, their saving culture has helped them to make investments as shown by mean of 3.603 and their budgeting practices has helped me to have control of their finances as shown by mean of 3.575. These findings were supported by low standard deviation and indication that most of the respondents were in agreement with the mean.

4.6 Inferential Statistics

To understand the relationship between the variables and to answer the research questions, the study used inferential statistics. In this study correlation and multiple regression analysis were used. SPSS was used for analysis.

4.6.1 Relation between financial literacy and financial management

Pearson moment correlation analysis was used. Correlation analysis is used to determine the strength and the direction of relationship between variances. It was also ised to determine whether there was multicollinearity between the independent variables. The relationship was considered string if the correlation coefficient value was above 0.5. In addition, the relationship was considered significant if the p-value was less than the significance level of 5% i.e. 0.05. Table 4.9 presents the findings.

Table 4.9

Correlation Coefficient

		Financial Management	Investment Practices	Saving Culture	Budgeting Practices	Debt Management Practices
Financial management	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	350				
Investment practices	Pearson Correlation	.889*	1			
	Sig. (2-tailed)	.002				
	N	350	350			
Saving Culture	Pearson Correlation	.530*	.336*	1		
	Sig. (2-tailed)	.005	.001			
	N	350	350			
Budgeting Practices	Pearson Correlation	..967*	.293*	.168*	1	
	Sig. (2-tailed)	.001	.002	.009		
	N	350	350	350	350	
Debt Management Practices	Pearson Correlation	.439*	.147*	.276*	.135*	1
	Sig. (2-tailed)	.009	.004	.003	.005	
	N	350	350	350	350	350

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

The findings established that investment practices and financial management of dairy farmers in Kenya were strongly and positively correlated as shown by $r = 0.889$, statistically significant $p = 0.002<0.05$; saving culture and financial management of dairy farmers in Kenya were strongly and positively correlated ($r = 0.530$, $p = 0.005<0.05$); budgeting practices and financial management of dairy farmers in Kenya were strongly and positively correlated ($r = 0.967$, $p = 0.001<0.05$); debt management practices and financial management of dairy farmers in Kenya were strongly and positively correlated ($r = 0.439$, $p = 0.009<0.05$). This suggests that investment practices, saving culture, budgeting practices, debt management practices and financial management of dairy farmers in Kenya are strongly related.

4.6.2 Influence of Financial Literacy on Financial Management

The influence of the independent variable on the dependent variable was also determined by computing multiple regression analysis. It established the influence of financial literacy on financial management practices in dairy farmers. The results were in three tables as presented in subsections below.

4.6.2.1 Model Summary

Model summary was applied in this study to analyse the disparity of response variable owing to variations in the predictor variables. Therefore, change in financial management of dairy farmers in Kenya owing to variations in financial literacy was sought.

Table 4.10

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.835	.697	.645	.02103

Adjusted R^2 was 0.645 which suggests that 64.5% variation in financial management of dairy farmers can be attributed to changes in investment practices, saving culture, budgeting practices and debt management practices. The remaining 35.5% suggest existence of other factors causing changes in financial management of dairy farmers that weren't discussed in this study. In addition, the correlation coefficient (R) was 0.835 an indication that the independent and the dependent variable have a strong relationship.

4.6.2.2 Analysis of Variance

To test whether the model developed in a perfect fit for the data analysis of variance was compute. This study tested the significance of the model at 95% confidence interval. This therefore suggested that the model was considered significant if the p-value in the ANOVA table was less than the selected level of significance (0.05).

Table 4.11

Analysis of Variance

Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	18.423	4	4.606	16.749	.038[b]
	Residual	94.842	345	0.275		
	Total	**113.265**	**349**			

Critical Value=2.3975

The F calculated was greater than F critical (16.749 < 2.3975). This implies that investment practices, saving culture, budgeting practices, and debt management practices significantly influence the financial management of dairy farmers in Kenya.

From the findings, the p-value was 0.038 which is less than the selected level of significance 0.05 (i.e. 0.038<0.05). This therefore suggests that the model was significant. The value of F calculated was 16.749 while the value of f critical obtained from the f critical tables was 2.3975. Since the value of f critical was less than the f calculated value (2.3975< 16.749) it was concluded that investment practices, saving culture, budgeting practices, and debt management practices significantly influence the financial management of dairy farmers in Kenya.

4.6.2.3 Beta Coefficients

Beta values were fitted in the regression equation model to $Y= \beta_0+ \beta_1X_1+\beta_2X_2+ \beta_3X_3+ \beta_4X_4+ \varepsilon$ to form the regression equation used in predicting financial management as a result of changes in investment practices, saving culture, budgeting practices, and debt management practices. The results were as presented in Table 4.12.

Table 4.12

Beta Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.617	0.114		5.41	.000
	Investment practices	0.431	0.065	.301	6.63	.001
	Saving culture	0.391	0.084	.293	4.65	.010
	Budgeting practices	0.418	0.067	.323	6.24	.002
	Debt management practices	0.341	0.081	.263	4.20	.020

The regression equation was

$$Y = 0.617 + 0.431X_1+0.391X_2 + 0.418X_3 + 0.341X_4$$

The equation above revealed that holding the investment practices, saving culture, budgeting practices and debt management practices at a constant, the variables will significantly influence financial management of dairy farmers in Kenya by constant =0.617 as shown in Table 4.12.

Investment practices was statistically significant to financial management of dairy farmers in Kenya as shown by ($\beta = 0.431$, $P = 0.001$). This implies that investment practices were significantly and positively associated with financial management of dairy farmers in Kenya. This implies that a unit increase in investment practices will result to increase in financial management of dairy farmers in Kenya by a factor of 0.431. The findings concur with those of Vieira (2012) who concluded that access to financial information that translates to increased level of literacy among individuals influences the investment decisions made by individuals.

Saving Culture was statistically significant to financial management of dairy farmers in Kenya as shown by ($\beta = 0.391$, $P = 0.010$). This implies that saving culture was significantly and positively associated with financial management of dairy farmers in Kenya. This implies that a unit increase in saving culture will result to increase in financial management of dairy farmers in Kenya by a factor of 0.391. The findings are in agreement with those of Vyvyan, Blue, & Brimble (2014) who indicated that individuals with proper financial education presented better financial management skills due to the information provided in financial education programs that lead towards positive financial behaviours.

Budgeting practices was statistically significant to financial management of dairy farmers in Kenya as shown by ($\beta = 0.418$, $P = 0.002$). This implies that budgeting practices were significantly and positively associated with financial management of dairy farmers in Kenya. This implies that a unit increase in budgeting practices will result to increase in financial management of dairy farmers in Kenya by a factor of 0.418. The findings concur with those of Ototo (2009) who posits that operational budgets plays the role of predicting, helps in control, it plays the role of managing communication with other departments, and acts as ways of improving performance and also encourages workers to do better.

Debt Management Practices was statistically significant to financial management of dairy farmers in Kenya as shown by ($\beta = 0.341$, $P = 0.020$). This implies that debt management practices were significantly and positively associated with financial management of dairy farmers in Kenya. This implies that a unit increase in debt management practices will result to increase in financial management of dairy farmers in Kenya by a factor of 0.341. The findings are in agreement with Brown and Graf (2012) whose results showed that the non-financially literates were found to be more sensitive in sorting out their bills in time.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

Summary of findings, conclusions, recommendations and suggestions for further research is presented in this chapter. The findings were presented based on the objectives of the study. Conclusions and recommendations were drawn from the findings of the study.

5.2 Summary of Findings

The objectives of the study were to determine the relationship between investment practices and financial management of dairy farmers in Kenya, to establish the effect of saving culture on financial management of dairy farmers in Kenya, to find out the effect of budgeting practices on financial management of dairy farmers in Kenya and to establish the effect of debt management practices on financial management of dairy farmers in Kenya.

5.2.1 Investment Practices and Financial Management

On the influence of investment practices on financial management of dairy farmers. The study established that farmers engage in other income generating activities apart from dairy farming, farmers have invested in financial assets that yield profits, they use extra earning to invest in new opportunities, they have invested in non-physical assets to earn more income, income generating activities help the to earn more income and investments has helped me to use my extra money in a useful way. The study also establish that most farmers were increasing dairy cattle, introducing other business, improve dairy farming, invest back in dairy farming, invest in poultry farming, land buying, personal and family maintenance, pay school fees, use for expenses at home, buy cattle feeds, crop farming, maintenance, promoting other business, saving, self-development and re-investment, uplift other business and taking care of their families.

5.2.2 Saving Culture and Financial Management

On the influence of saving culture on financial management of dairy farmers. The study found that farmers set aside a certain amount of money for saving every time, they have a fixed saving account that attract interest rates, savings has helped me to cater unexpected expenses, they have set their own specific goal for saving and they save part of my income from dairy farming. Famers disagreed that saving account allows immediate access to my money at any time. The study also revealed that majority of the farmers were able to make investment from their savings, they were able to achieve long term gaols through monthly saving, saving through Sacco's enabled them to access large sums of money for big investment projects, saving enabled them increase their size of their dairy farming and also saving helped them diversify their investment portfolios.

5.2.3 Budgeting Practices and Financial Management

From the findings on the influence of budgeting practices on financial management of dairy farmers. The study revealed that they monitor their expenditure against their income to ensure that expenditure does not exceed the available income, they set funds aside to cater for expenses, they have a plan on how to spend their funds, they ensure that they stick to my budget when using my funds, they monitor their funds to ensure that they do not overspend and they track their spending to make sure that they do not overspend. From the findings it was revealed that budgeting practices influence financial management of dairy farmers, through proper planning on spending, maintaining spending within the set limits, avoiding spending what was not yet earned, record keeping of spending and nd tracking one spending.

5.2.4 Debt Management Practices and Financial Management

On the influence of debt management practices on financial management of dairy farmers. The study found that farmers pay their loan on time to avoid attracting penalties, they make sure they adhere to the loan terms throughout the loan period, they borrow funds from different financial institutions, they read and understand the loan terms before acquiring loan, debt diversification helps in minimizing exposure to any single borrower and they ensure that they understand the terms of loan payment. The study also found that debt management practices enables most of the farmers to expand their farming activities , debt helped farmers in investing in other income generating activities , debt was used for growth of the dairy farming activities and that debt management helped the farmers to achieve their set target.

5.3 Conclusions

5.3.1 Investment practices

Investment practices were found to significantly influence financial management of dairy farmers in Kenya. The study also found that investment practices and financial management of dairy farmers in Kenya were positively related. The study therefore concludes that investment practices will positively influence financial management of dairy farmers in Kenya.

5.3.2 Saving Culture

Financial management of dairy farmers in Kenya was found to be significantly influenced by saving culture. The study also found that there saving culture and financial management of dairy farmers in Kenya were positively related. From the findings the study concludes that saving culture positively influence financial management of dairy farmers in Kenya.

5.3.3 Budgeting practices

Budgeting practices was found to significantly influence financial management of dairy farmers in Kenya. The study also revealed that budgeting practices positively influence financial management of dairy farmers in Kenya. The study concludes that budgeting practices influence financial management of dairy farmers in Kenya positively.

5.3.4 Debt Management Practices

Debt management practices were found to significantly influence the financial management of dairy farmers in Kenya. The study also established that debt management practices and financial management of dairy farmers in Kenya were positively related. From the findings the study concludes that debt management practices will positively influence financial management of dairy farmers in Kenya.

5.4 Recommendations

It is important for government agencies as well as micro finance organisation to provide programs that will create awareness and educate dairy farmers on the art of saving, managing debts, investing and financial planning. It is also important for them to ensure that they create awareness regarding the benefits of having savings account in different financial institutions including banks; this will help them to develop the culture of saving which in the long run will help them in accessing loans.

The recommendation is that the management of K Unity Sacco should considered offering investment training to their members before disbursement of loans; this will help in improving members financial management skills as the study found that investment practices positively influence financial management of dairy farmers in Kenya.

The study recommends that employees should use their financial literacy knowledge and experience gained in the Sacco society to develop a saving culture; this will improve their financial management. Also, savings comes in handy in cases of emergencies. The study found debt management practices affects financial management positively. The recommendation of the study is that the management of K Unity Sacco needs to create awareness to its members in the effects of debts on their finances and how they can manage their debt in a realistic manner and understand the cost of their. This will improve its member's financial management skills.

5.5 Suggestion for Further Studies

The focus of this study was on the relationship between personal financial management and financial literacy of dairy farmers in Kiambu County. The study recommends research to be carried out to cover 35% of factors that were not discussed in this study. The study recommends replication of the research study in other counties in the country. The study also recommends research to be carried out on the challenges that are faced in financial management in Small and micro enterprises in Kenya.

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APPENDICES

Appendix I: Questionnaire

Where indicated ( ) tick appropriately

Part 1: General information.

(Please tick the most appropriate and fill in the spaces where applicable)

1. Gender of the respondent.

Male	( )
Female	( )

2. Status of membership

Active	( )
Dormant	( )

3. Age of the members

18-30 years	( )
31-40 years	( )
41-50 years	( )
50-60 years	( )
Above 60 Years	( )

4. Years in K Unity Membership

0-10	( )
10-20	( )
20-30	( )
Over 30	( )

5. Branch of operation

Limuru	( )
Kiriita	( )

For Part 2 to part 6, respondents were asked to give their opinion on various statements using the scale 1-strongly disagree, 2-disagree, 3-moderate, 4-agree, 5-strongly agree.

Part 2: Investment Practices

6. Influence of investment practices on financial management of dairy farmers in Limuru Sub County.

Statements	**1**	**2**	**3**	**4**	**5**
Income generating activities I engage in other income generating activities apart from dairy farming					
Income generating activities help me to earn more income					
Investment decisions I use my extra earning to invest in new opportunities					
Investments has helped me to use my extra money in a useful way					
Accumulation of productive assets I have invested in non-physical assets to earn more income					
I have invested in financial assets that yield profits					

7. How else do investment practices influence financial management of dairy farmers in Limuru Sub County?

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

Part 3: Saving Culture

8. Influence of saving culture on financial management of dairy farmers in Limuru Sub County.

Statements	**1**	**2**	**3**	**4**	**5**
Saving practices I save part of my income from dairy farming					
Savings has helped me to cater unexpected expenses					
Habit saving I set aside a certain amount of money for saving every time					
I have set my own specific goal for saving					
Saving account Saving account allows immediate access to my money at any time					
I have a fixed saving account that attract interest rates					

9. How else does saving culture influence financial management of dairy farmers in Limuru Sub County?

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Part 4: Budgeting Practices

10. Influence of budgeting practices on financial management of dairy farmers in Limuru Sub County.

Statements	1	2	3	4	5
Monitoring spending I set funds aside to cater for expenses					
I monitor my funds to ensure that I do not overspend					
Planning I have a plan on how to spend my funds					
I ensure that I stick to my budget when using my funds					
Spending patterns I monitor my expenditure against my income to ensure that expenditure does not exceed the available income					
I track my spending to make sure that I do not overspend					

11. How else does budgeting practices influence financial management of dairy farmers in Limuru Sub County?

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………………………………………………………………………………………

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Part 5: Debt Management Practices

12. Influence of debt management practices on financial management of dairy farmers in Limuru Sub County.

Statements	1	2	3	4	5
Timely payment I ensure that I understand the terms of loan payment					
I pay my loan on time to avoid attracting penalties					
Loan diversification I borrow funds from different financial institutions					
Loan diversification helps in minimizing exposure to any single borrower					
Payment terms I read and understand the loan terms before acquiring loan					
I make sure I adhere to the loan terms throughout the loan period					

13. How else do debt management practices influence financial management of dairy farmers in Limuru Sub County?

…………………………………………………………………………………………

…………………………………………………………………………………………

…………………………………………………………………………………………

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Part 6: Financial Management

14. Financial management of dairy farmers in Limuru Sub County.

Statements	1	2	3	4	5
My investment activities has helped me to manage my finances better					
My saving culture has helped me to make investments					
My budgeting practices has helped me to have control of my finances					
My debt management practices has helped me to meet by loan obligations on time					

THANK YOU

Appendix 2: Research Permit

NATIONAL COMMISSION FORSCIENCE, TECHNOLOGY ANDINNOVATION

Telephone:+254-20-2213471, 2241349,3310571,2219420
Fax: +254-20-318245,318249
Email: dg@nacosti.go.ke
Website: www.nacosti.go.ke
When replying please quote

9th Floor, Utalii House
Uhuru Highway
P.O. Box 30623-00100
NAIROBI-KENYA

Ref. No. **NACOSTI/P/17/41599/17254**

Date: **13th June, 2017**

Nancy Ngina Kubai
Kenya Methodist University
P.O. Box 267- 60200
MERU.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on ***"Influence of financial literacy on financial management practices (A survey of dairy farmers managed by K-Unity SACCO in Limuru Sub County, Kiambu County),"*** I am pleased to inform you that you have been authorized to undertake research in **Kiambu County** for the period ending **13th June, 2018.**

You are advised to report to **the County Commissioner and the County Director of Education, Kiambu County** before embarking on the research project.

On completion of the research, you are expected to submit **two hard copies and one soft copy in pdf** of the research report/thesis to our office.

GODFREY P. KALERWA MSc., MBA, MKIM
FOR: DIRECTOR-GENERAL/CEO

COUNTY DIRECTOR OF EDUCATION
KIAMBU COUNTY
P.O. Box 2300-00900
KIAMBU

Copy to:

The County Commissioner
Kiambu County.

The County Director of Education
Kiambu County.

Appendix 3:Introductory Letter

Laborare est Orare

Kenya Methodist University

P. O Box 267 - 60200, Meru, Kenya, Tel: (+254-020) 2118423-7, 064-30301/31229 Fax: (+254-064) 30162 Email: info@kemu.ac.ke , Website: www.kemu.ac.ke

April 7, 2017

Executive Secretary,
National Council for Science and Technology,
P.O Box 30623-00100,
NAIROBI.

Dear Sir/Madam,

RE: Nancy Ngina Kubai (MFI-3-2468-1/2014)

This is to confirm that the above named is a bona fide student of Kenya Methodist University pursuing Master of Science in Finance and Investment.

Nancy Ngina Kubai is undertaking a research study on **"Influence of Financial Literacy on Financial Management Practices (A Survey of Dairy Farmers Managed by K-Unity Sacco in Limuru Sub County, Kiambu County"**. To successfully complete her research work, she requires relevant data in her area of study

In this regard, we kindly request your office to issue her a research permit to enable her collect the data for her academic research work.

We thank you in advance for your co-operation.

Yours faithfully,

KENYA METHODIST UNIVERSITY
Dean
25 APR 2017
BOARD OF POSTGRADUATE STUDIES
P.O. Box 45240-00100 NAIROBI

Dr. Evangeline M. Gichunge
Associate Dean, Research Development & Board of Postgraduate Studies

Nairobi Campus: Koinange Street, P.O. Box 45240-00100 Nairobi - Tel: +254-20-2118443/2248172/2247987/0725-751878. Fax: 254-20-2248160. Email:nairobicampus@kemu.ac.ke
Nakuru Campus: Mache Plaza, 4th Floor. P.O. Box 3654-20100, Nakuru, Tel +254-51-2214456 Fax 051-2216446, Email:nakurucampus@kemu.ac.ke
Mombasa Campus: Former Oshwal Academy, P.O. Box 89983, Mombasa. Tel: +254 - 041-2495945 / 8, Fax 041-2495946. Email: mombasacampus@kemu.ac.ke
Nyeri Campus: Lware Building, 4th Floor. Tel: +254-61-2032904. Fax: 254-61-2034100 Email. nyericampus@kemu.ac.ke
The Future is Here!

Appendix 4:Authorization Letter

OFFICE OF THE PRESIDENT
MINISTRY OF INTERIOR AND CO-ORDINATION OF NATIONAL GOVERNMENT
COUNTY COMMISSIONER, KIAMBU

Telephone: 066-2022709
Fax: 066-2022644
E-mail: countycommkiambu@yahoo.com
When replying please quote

County Commissioner
Kiambu County
P.O. Box 32-00900
KIAMBU

Ref.No: **ED.12 (A) /1/VOL.I/20**

9th January, 2018

Nancy Ngina Kubai
Kenya Methodist University
P. O. Box 267 - 60200
MERU

RE: RESEARCH AUTHORIZATION

Reference is made to National Commission for Science, Technology and Innovation letter Ref No. **NACOSTI/P/17/41599/17254** dated **13th June, 2017.**

You have been authorized to conduct research on ***"Influence of financial literacy on financial management practices (A survey of dairy farmers managed by K-Unity SACCO in Limuru Sub-County, Kiambu County".*** The data collection will be carried out in ***Kiambu County*** *for a period ending* ***13th June, 2018.***

You are requested to share your findings with the County Education Office upon completion of your research.

J. A. RATEMO
FOR: COUNTY COMMISSIONER
KIAMBU COUNTY

Cc County Director of Education
KIAMBU COUNTY

National Commission for Science, Technology and Innovation
P.O. Box 30623-00100
NAIROBI

Deputy County Commissioner (***For information and record purposes***)
LIMURU SUB-COUNTY

"Our Youth our Future. Join us for a Drug and Substance free County".