

**DETERMINANTS OF FINANCIAL LITERACY LEVEL AMONG RESIDENTS OF MERU
MUNICIPALITY, IN MERU COUNTY, KENYA**

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A Thesis submitted to the school of Business and economics in partial fulfillment of the requirements for the award of Master of Business Administration (Finance) of Kenya Methodist University

SEPTEMBER, 2019

DECLARATION

I declare that this thesis is my original work and has not been presented for any award in any institution.

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RECOMMENDATION

We confirm our candidate under supervision carried out the work reported in this thesis.

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DEDICATION

This thesis is dedicated to my parents, Philip and Gachambi Njehia for their financial support and encouragement in my academic journey.

ACKNOWLEDGEMENT

My sincere gratitude goes to the following people who have become significant in making this paper and vision to reality; My supervisors Dr. Vivian Cheronon, PhD and Dr. Nancy Rintari, PhD for their professional advice, understanding, support, guidance and dedication through this thesis.

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ABBREVIATIONS

CDSC	Central Depository and Settlement Corporation
CEE	Council for Economic Education
CEO	Chief executive Officer
CMA	Capital Markets Authority
CSR	Corporate Social Responsibility
FAO	Food and Agriculture Organization
FISD	Financial Information Services Association
FSA	Financial Services Authority
IRA	Insurance Regulatory Authority
KRA	Kenya Revenue Authority
NSE	Nairobi Securities Exchange
OECD	Organization for Economic Co-operation and Development
RBA	Retirements benefit Authority
SIIA	Software and Information Industry Association
UK	United Kingdom

ABSTRACT

In recent years, financial literacy has come to play an important role in financial reforms across the world. Modern technological developments and market liberalization have resulted in complicated financial products. There is the perception of inadequate and even total lack of financial literacy, hence to solve this many organizations have invested resources to financial education programs, targeting to access majority of the population in future. The objective of the research was to examine and analyze the determinants of financial literacy level among residents in North Imenti Sub county in Meru County, Kenya. The determinants studied were; Level of education, Demographic characteristics of Gender and Age, Socio-economic factors of Occupation status and Income level, Sources of Financial information and advice of informal tools and formal tools. The research problem was analyzed using Descriptive research design where Primary data was collected using closed-ended questionnaires while secondary data was collected from the relevant books and journals. The target population for the study was 30,804 people in Meru Municipality. The Sampled size from this accessible population using Mohamed,(2014) formula gets 400 people, which finds that for population above 10,000 people the sample size would be 400 people. The sample design involved individuals from the nine Meru municipality locations with a population response rate of 75%, male being 167 and female 133. Descriptive statistics included frequencies and percentages presented in tables which summarized and categorized data based on their similar themes and Statistical Package for Social Sciences Version 20 was used for further processing. In determining the relationship between the dependent and the independent variables, Regression analysis was used and recommendations made based on the findings. The study revealed that the relationship between Financial literacy level and Level of Education was the most significant, followed by Demographic Characteristic of Age and Gender. Level of education and demographic factors have significant relationship in the financial literacy level in Meru Municipality. Socioeconomic factors and source of information did not have a significant influence on financial literacy level. In Conclusion, emphasis was made to focus on better ways to implement the best methods of learning to enhance the Level of Education of the population. It was identified that the manner of learning played a vital role on retention rate. It recommended that all stakeholders should be encouraged to support availed digital literacy programs for the population. These would play a vital role in increasing literacy level since it incorporates technology in learning and multimedia teaching methods. The study further recommended establishment of Money management programs that would enhance public participation in financial management matters by all stakeholders.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Financial literacy is a mixture of understanding, knowledge, skills, attitudes and behaviors essential in making well-informed financial choices and eventually achieving personal financial well-being. Furthermore, it is the process by which individuals learn the distinctiveness of dissimilar products and services provided in the financial markets and use the knowledge and skills to making logical sound choices in making gains or profits (Seth, Patel & Krishna, 2011). In addition, it is described to be combining individuals knowledge and comprehension of financial products, notions, abilities, self-confidence in appreciation of risky opportunities of finance, making sound decisions, knowing where to get assistance and taking more efficient acts in improving the individual financial wellness and welfare (Miller, Godfrey, Levesque & Stark, 2009).

Surveys worldwide indicate that Financial Literacy Level is lower in developing economies compared to developed economies. In a study carried out by Hussein and Hassan (2012) on ‘Financial Literacy and Investment Decision of UAE (United Arab Emirates) Investors’, they found that Financial Literacy Level had not reached the required level. Therefore, there was need of improving the level due to the increase of newer dynamic financial matters, including, new financial products developed, complicated financial markets, changing demographics, political and economic factors. The treasury section of the U.S. established a strategy aimed at educating the community by charging organizations.

The Financial Literacy and Education Commission (FLEC) constituted under the Fair and Accurate Credit Transactions Act of 2003, developed a National Policy in 2006 then

ensured its enhancement in the year 2011. Kenya falls under the developing countries, and the government has not ignored this. (Miller, Godfrey, Levesque & Stark, 2009).

In his study Etkind, (2009), noted that co-operatives must train their members (including Board of Directors) for full participation in the co-operative affairs actively, since SACCOs (Savings and credit cooperative societies) movement operates on a completely different pattern and manner from the commercial banking system, hence SACCOs members need training. Cooperative banking, is quite unique in that members do savings and borrowing through recycling money within the members, with no one from outside taking a profit and with interest rates set so that systems works for all (ILO, 2009).

Financial education is essential for everyone, hence it is necessary to ensure it's availability to everyone. In 2012, the Group of 20, a meeting in attendance were financial ministers and central bank governors from 20 highest developed economies in the world. They declared that it's the right moment to be more attentive to the growing accessibility of financial matters and women financial education that needs addressing. Later, the OECD (Organization for Economic Cooperation and Development) suggested that great accessibility would result to more women empowerment financially, great opportunities, and improvement of individuals welfare with end results benefiting everyone (Onyango, 2014).

Financial literacy is essentially vital today than before, since in the present world, financial systems complexity have brought with them the speedy growth and sophistication of the financial environment. The dynamic technology has changed the business environments creating increased number of financial products and services. Today there are massive marketing services, education in middle level and higher learning institutions, community finance awareness programs such as road shows, advertising campaigns and promotion of

existing and new financial products and services making many people active in the Financial Markets as they are more enlightened and financially literate (Mutuku, 2015).

According to Kyalo (2014) showed that, market liberalization has led to individuals taking more responsibility for their finance, taking this position from the government and employers. Therefore, financial literacy equips one with the expertise, information, instructions and comprehension of financial issues. These includes; being aware of money management, income, insurance, real estate, tax planning, retirement, advantages of savings methods, spending options, right of consumers, money value over time, compound interests, financial scheduling, the technicalities of credit cards and even identification of risky fraudulent acts, and controlling one's finances. It is important that learners should be equipped with financial expertise to survive as consumers in the present liberal and globalized economic nature because modern times are characterized with an era of unique debt management hence individuals would certainly be faced with difficult moments financially. Financial literacy today has gained enormous importance since the world is becoming complicated with increased financial products hence better informed decisions required (Mutuku, 2015).

Kefela (2010) revealed that the correlation between financial know how and beneficial financial behavior was significantly direct. Therefore, financial education should be taking comprehensive perspectives by being inclusive of the basic principles of finance. This is because, individuals who could have a lower financial literacy level would tend to have debt issues, lesser likelihood of saving, tendency to engaging in higher costs of mortgage, poor planning for retirement, poor handling of financial crisis and are more prompt to making bad uninformed decisions in investment opportunities. The Kenyan government has put great efforts in developing user-friendly financial systems such as the I-TAX for

revenue collection, Huduma centres for personalized services, provided massive training and education on the importance of tax returns and payments as this contributes to the overall economic growth of the Country and consequently its counties, Meru being one of them (Wanjiru, 2017).

Today, financial literacy is a valuable skill just as the ability to read, write and calculate is what individuals need to understand for survival in this complicated world of finance, hence a global concern. Annamarie Lusardi (2011), a famous researcher in economy on her study on financial literacy suggested that it is impossible to survive in the present world without financial literacy, just as if it was impossible to live in the industrialization society with no print literacy (CEE, 2011). Equally, Nan Morrison, CEO and President of the Council for Economic Education (CEE) identifies the requirement of increasing financial education, starting with the younger ages and emphasizes that in today's world, financial literacy is a mandatory skill (Sloan, 2012).

In Kenya today, individuals have various business decisions to make hence financial instructions and information acquisition on these depends on the individual's will and desires on using finances efficiently. Wide varieties, complex financial products, minimum levels of awareness and inadequate knowledge on financial issues guarantee financial literacy. Most households today, are willing and yearning for financial education programs so that they are educated on healthy financial living including help for the monetary hardships of individual issues (Onyango, 2014).

Kenya's financial market is fast becoming complicated, since financial products are increasingly becoming more accessible in the markets, hence the requirement for individuals need to understanding these financial markets. Various organizations, financial institutions

and governments are determined to satisfy the desires of individuals by creating more financial products and services that may be complicated. This has led to the common people being misled, feeling lost and confused on their investment options and spending. Therefore, for survival issues in these financial markets, improvement of Financial Literacy Level is essentially and crucially required (Onyango, 2014).

Financial literacy has had a wide and growing importance in the recent years due to globalization, dynamic modern technology, investments, increasing crisis and liberalization that have created the varied financial matters hence leaving majority of people less prepared in making sound financial decisions and evaluating complicated financial matters. It is said to facilitate instilling of skills and understanding to people hence essential when creating households budget, initiating saving schemes and making investment plans and choices. When properly applied, the knowledge would help families in meeting their financial duties and responsibilities by wisely planning the resources allocations to get utmost utilization (Mwangi & Kihui, 2012). Furthermore, it enables people understand ways in which finances work worldwide, ways of earning, investing and helping others thus provision of comprehensive know how allowing individuals to making efficient choices with their finances resource (Mwangi & Kihui, 2012).

Today, in both the developing and developed economies there is increasingly many cases of financial crisis, together with rapidly changing financial setting. Financial literacy therefore, facilitates education and empowerment of individuals to have knowledge on financial matters with relevancy to their life. This enabling them to apply the skills and knowledge obtained to evaluating financial matters and having sound decision-making (Mwangi & Kihui, 2012).

The Kenyan government has developed fiscal policies that promote the creation and existence of Cooperative societies, these include the fact that they can lend money to their members at a reduced rate than the market rate. They also are more lenient to their customers than the commercial banks since people in the same category such as the Bankers Sacco Association and the Police Sacco form these Saccos although there are some that encourage public participation such as the Kenya Power Sacco. These Saccos also provide education, consultation, advise, training and financial materials to their members, hence contributing to financial literacy (Omar, 2017).

Omar,(2014) showed that improving financial literacy contributes positively to the economy as financially educated people helps financial markets to efficiently. In Kenya, there is also have the Nairobi Stock Exchange that has advanced the availability of financial materials making them accessible online for the population. The NSE members have also held forums where they educate the people on investments. Just recently, the government established a mobile phone accessible bond trading where Kenyans including the Meru people are able to trade on these bonds (Onyango, 2014).

In Kenya, funds are set aside for the women in society who are required to form groups for financing then, they are given advice on potential business opportunities. Those already with the businesses are given more information on how to expand and grow their businesses. There are banks such as K-rep and KWFT (Kenya Women Finance trust) who believe that “Service to women, is serve to men because our products and services are tailored to benefit the entire family” Mwangi Githaiga, managing director KWFT, deposit taking microfinance limited (Mwangi, 2016). Banks also provide financial information, education and training to women, giving them finance at a reduced rate and better

repayment terms. These banks have branches all over the country, Meru included (Mwangi, 2016).

In addition, Omar,(2014) established assisting younger individuals to understanding financial matters is essential, since the young generation is prone to facing ever-increasing complicated financial matters. This generation is more prone to bearing much financial crisis and risks in their later years compared to the parents, particularly on budgeting for consumption, savings, retirement plans and medical crisis cover. The Kenyan government has provided fund for the youth, the Youth Fund, providing financial services to those with ideal business ideas that have formed groups. There is also provision of employment to the youth, giving them a source of income such as in the NYS (National Youth Service), encouraging and training on savings from the daily payments collected for future use. Peng (2008) suggestion was that, a government's mandate should require that a specified course on personal finance is covered so as have a considerable and favorable effect on the learners financial literacy (Onyango, 2014).

Many nations are recognizing the significance of financial literacy hence are creating task forces to study their populations with the goal of offering education and outreach in common places such schools offering students courses to prepare them for managing their finances then and later in life as an important aspect of developing fiscal policy. In Kenya, they have business studies in secondary schools, mathematics and English as compulsory in both primary and secondary schools as these are vital when it comes to understanding financial terms (Wanjiru, 2017). There are also schools in Kenya with clubs that promote financial literacy such as in Meru School, students have a business club, which helps promote financial literacy by imparting knowledge and application skills to simulated financial crisis and recognize financial planning to help them prepare for life

events. In Kenya Methodist University Finance and Accounting Students Association, providing financial information, advice, insights, training, guidance, educations trips and career forums for the members (Onyango, 2014).

In Kenya similarly, the Kenya Revenue Authority (KRA), Retirement Benefits Authority (RBA), Capital Markets Authority (CMA) and Insurance Regulatory Authority (IRA) doing massive campaigns on financial education. They put emphasis to the public on fulfilling tax obligations in time to avoid penalties, saving as little as 100/- per day for retirement purposes, investing in the capital markets for better returns and having a good insurance policy that would cater for multiple issues in cases of crisis respectively (Omar, 2014). The Kenya government has policies in the employment act that requires every employer to register their employees under the NSSF (National Security Saving Fund) this has been under development in the recent days increasing the monthly contribution from Sh. 200 from employer and Sh.200 from employee to a total of 6% of basic salary up to a maximum of Sh. 1,800 from employees and an equal amount form the employers, (Onyango, 2014).

For medical coverage and planning, Kenya has NHIF (National Health Insurance Fund) that requires every employer to register the employees and have contributions as stipulated on the granulated guidelines provided in the Kenya constitution. The above is getting support from the services offered by Huduma center branches opened countrywide offering the governmental services and clearances that enable the people get quick financing and even be able to confirm the legitimacy of financial institutions easily. Meru County has NSSF and NHIF offices where training, education and advice are provided, including registration for the same, also at Huduma Centre at the Postal office building (Wanjiru, 2017)

The necessity of financial literacy has vigorously increased due to rise and increase of bankruptcies, household debt, and globalization of financial products. This includes; the Euro Bond, dynamic modern technology such as mobile financial packages like M-Shwari from Safaricom, varied investments, and liberalization that have created the varied financial products and services. This leaving majority of the people less equipped to making sound financial decisions and evaluation of complicated financial products and poor investments, hence the researcher is forced to recognize the need for improving Financial Literacy Level (Onyango, 2014).

In the study done Kihui (2012), showed that, when implementation, comprehension and application of financial literacy is done, is results to flourishing future in coming years and generally favorable economic impact. Financial literacy skills could help consumers in capability of understanding and working with interests, debt management, exchange rate handling, understanding risks, plan for retirement, budget before spending, knowledge on evaluation of investment opportunities, practice savings, identification of fraudulent deals and risky financial practice, reconciling cheque books, their personal-accounts and the ability of reading and understanding their accounts statement (Onyango, 2014).

It has been noticed that, in many parts of the world, Meru Municipality included, lack of financial literacy may result to and be as a resultant of variations in the opportunity to gaining information, understanding, knowledge and being exposed to financial issues. It can lead to under saving due to poor financial planning, poor investment choices hence less efficient markets due to illiterate consumers. There has been ambiguity created for those that their financial illiteracy makes them unable to comprehend the newer financial products and lack of knowledge on how to prepare for retirement (Onyango, 2014).

1.2 Statement of the Problem

Various financial crisis are faced by all generations in the past and today who are expected to make and take increasingly vital and complex choices on budgeting for consumption, savings and investing, taxation and handling crisis (Omar,2014). Technology in this modern times, globalization and liberalization have resulted to newer products and services in finance, that is generally accessible leaving majority of the people lesser prepared to making sound decisions in finance and in evaluating difficult financial products (Lusardi & Mitchell, 2007). Consequently, there is a problem of limited, inadequate, lack and low levels of financial literacy hence creating basis of this research. To solve this perceived problem of limited, inadequate and even totally lack of financial literacy, government, financial institutions, and non-profit making organizations have dedicated massive resources to promote and facilitate educational plans on finances, targeting to access many people in years to come

Today, minimal proof on the significance of financial education is available, although several assessments of financial literacy plans are ongoing, where the emphasis tends to be majorly measurement of final outcome for instance, behavior changes or financial products take up and very little is done on the factors influencing this literacy and how it would be improved (Sloan, 2012). Being part of this mass population having personal bank accounts in several banks and having personal or official relations with other individuals and account holders, it's not easy to understand some financial concepts. This study sought to research, analyze and conclude on the determinants of financial literacy level to provide an insight to improvement, development and upgrade of available financial information, tools, and policies.

The government, financial institutions, and non-profit making organizations have tried to devote massive resources to promote and facilitate educational plans on finances, targeting to access many people in years to come (Tufano, 2009). The study provided recommendations that would aid in development of adaptable and realistic fiscal policies, increase materials on financial information and promote financial education

Meru County has very high poverty levels and approximately 75% of the households live below the poverty line. The high poverty levels in the county raises questions on the financial literacy levels of the farmers apply (KNBS, 2008). The government, policy makers, financial institutions, academicians and the people of Meru making sound judgment and taking actions that are more efficient concerning the existing and expectation level of financial literacy in future whilst basing on the determinants identified (Tufano, 2009). Individuals with lower financial literacy level tend to have debt issues, lesser likelihood of saving, tendency to engaging in higher costs of mortgage, poor planning for retirement, poor handling of financial crisis and are more prompt to making bad uninformed decisions in investment opportunities (Tufano, 2009). Therefore, this study sought to find out the determinants of Financial literacy Level among residents of Meru Municipality, Meru County.

1.3 Research Objectives

1.3.1 General Objectives

The general objective of the study was to examine and analyze the determinants of financial literacy Level in Meru Municipality, in Meru County.

1.3.2 Specific Objectives

The study sought to;

- i. To assess the relationship between Level of Education and financial literacy in Meru Municipality, in Meru County.
- ii. To examine the relationship between Demographic factors and financial literacy in Meru Municipality, in Meru County.
- iii. To identify the relationship between Socio economic factors and financial literacy in Meru Municipality, in Meru County.
- iv. To investigate the relationship between the Sources of Financial information and financial literacy in Meru Municipality, in Meru County.

1.4 Research Hypotheses

H₀₁: There is no significant relationship between Level of Education and financial literacy in Meru Municipality, in Meru County.

H₀₂: There is no significant relationship between Demographic factors and financial literacy in Meru Municipality, in Meru County.

H₀₃: There is no significant relationship between Socio-economic factors and financial literacy in Meru Municipality, in Meru County.

H₀₄: There is no significant relationship between Sources of Financial information and financial literacy in Meru Municipality, in Meru County.

1.5 Research Justification

This study sought to provide an insight into the major determinant of financial literacy in Meru Municipality, in Meru County thus providing the way forward improvement of literacy financially in recognition of the diverse increased financial products and services. The findings from data analysis in this research were to indicate determinants that had more significance to financial literacy to provide vital and crucial information that would assist individuals in Meru Municipality, in Meru County and Kenya at large be able to identify the barriers to financial literacy and ways in which this could be reduce or avoided to enhance and develop the current financial literacy level. Furthermore, NGOs, Government bodies for both national and county levels and those involved in formulating and developing fiscal policies, would get guidance and insight on areas of concern hence formulate policies that promote, encourage and increase financial literacy.

This study was conducted in Meru Municipality, in Meru County since there has been none done before in the county and as a resident of the county, I was concerned with the yet the rate of development, employment and population was raising daily hence more dynamic and complex financial matters associated with these.

1.6 Research Scope

The study investigated the determinants of Financial literacy in Meru Municipality, in Meru County where a limited number of respondents based of the sample size representing just a fraction of the actual population was used due to the available resources of time and finance. The study was conducted in Meru Municipality, in Meru County with the aim of getting first hand information on individuals' financial literacy, preferences and attitudes towards determinants of Financial Literacy Level being studied in Meru Municipality, in Meru County.

1.7 Research Limitations

The study only covered the people in Meru Municipality, in Meru County when collecting data and analyzing this information hence findings were also limited to this County. Financial literacy could also be determined by many other factors that could include and not limited to culture, norms and even family backgrounds of individuals.

These would differ and change in different regions and counties in Kenya as there situations and circumstances could be different from that of the Meru region. Therefore, the study findings and conclusions might not be applicable to all areas and cases.

The research was done in Meru Municipality, in Meru County hence the target was broad hence Standardized Questionnaires were used in this study as they were more logical and an easier option of collecting information from people and using statistical tests in determining the relationship between the variables.

The sample size was based on convenience samples that were used due to realism, since where one may not specify a sample, but has an accessible group, as a representation of the target population and presently available to the researcher. The study assumed that the respondents gave honest and accurate responses hence the data and information collected was limited to this assumption. Moreover, the study was limited to the time and finances set aside and budgeted as adequate for the purpose of the research.

1.8 Operational Definition of Terms

Financial literacy is a mixture of understanding, knowledge, skills, attitudes and behaviors essential in making well-informed financial choices and eventually achieving personal financial well-being. Also, the process by which individuals learn the distinctiveness of dissimilar products provided in the financial markets and use these knowledge and skills to making logical sound choices in making gains or profits (Seth et al., 2010).

Financial education as process where individuals consuming financial products, increase the knowledge and skills on financial matters, concept and risks. This is by accessing financial information, instructions and objective advices. Also, is the obtaining of financial understanding, skills and literacy from specifically planned subjects covering financial matters (Onyango, 2014).

Financial decisions are choices or a set of probable decisions done with the application of financial literacy knowledge. Financial choices are due to influences of regular conflicts involving the generation of products in the market area and an individual's limitation on resources to acquiring the products (Remund, 2010).

Financial capability in relation to financial literacy means 'make ends meet', strategic plans, choices, decisions, management of financial matters and self-evaluated skills (Lusardi, 2010)

Financial literacy is the education and understanding of knowing how money is made, spent, and saved, as well as the skills and ability to use financial resources to make decisions.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviewed works relevant to financial literacy, both empirical and theoretical literature were explained, analyzed and presented. Textbooks, journals and published literature articles are the sources of the topical and in-depth literary content done by other scholars. This chapter also presents theoretical framework, a conceptual framework and summary of the literature review together with a study gap to be filled. This Chapter provides an in-depth understanding of the relationships between the key determinants identified and Financial Literacy Level

2.2 Theoretical Framework

The section describes the various theories that have a relationship with the research, the main theory used is the Transformative Learning Theory. The other theories that have been identified and explained include; Multi-Media Learning Theory, Bounded rationality theory and Social learning theories.

2.2.1 Transformative Learning Theory

Transformative learning theory explains the way human beings do revision and reinterpretation meanings through a perspective transformation process in three dimensions: First, Psychological, based on psychology, belief and understanding self-changes. Secondly, Convictional based on convictions, attitudes and belief in oneself by revising and thirdly, Behavioral base ones behavior, emotional reactions and lifestyle changes (Khabanyane, Maimane & Ramabenyane, 2014). Adults are said to have the tendency of rejecting any ideas that do not correspond with their particular values, associations and concepts.

This is due to their framework of references that is, the mind's habits that are harder to change and points of view which are easier to change. Where the mind's habits influence our points of view and the resultant attitudes and feelings in association with these habits tend to influence and changing the point of view over a period of time due to habits including reflections, appropriations, and feedback (Khabanyane, Maimane & Ramabenyane, 2014).

Transformative learning is said to take place when discussion is held and different opinions are accessible in supporting challenging interpretations in competition, by critical evidence examination, arguments and distinct point of views. Mezirow (2009) established the theory around twenty years ago yet it is still evolving with more comprehensiveness and complexity of describing ways in which individuals do validation and reformulation of meanings from their prior experiences. He found out that for individuals to be in a position of changing their Ph.D. such ascertain attitudes, feelings, beliefs, and reactions emotionally, then engagement into critically reflecting on their prior experience is a must, hence leading to a perspective transformation process (Khabanyane, Maimane & Ramabenyane, 2014).

Mezirow (2009) suggestions point out that at times the lesser or lower frequency of transformation can happen and is a resultant of a disorienting dilemma. This is a trigger of a crisis of life that may be life transitional. However, it can also be resultant accumulated meanings of transformations over a long time, explains perspective transformation resultant of disorientation dilemmas, self-examinations and reflections, senses of alienations, discontent relations to others, explanation new behaviors, constructing new confidence, plans on taking the best course of actions, knowledge and skills to implementing plans and experimentation of fresh tasks. A significant role of transformative

learning is that learners or people are able to make changes to their framework of references by critical reflection of their assumptions, feelings, specific beliefs and consciously make and implement plans which would result to newer ways of definition of their world and meanings, hence making transformative learning process essentially balanced, rational and analytical (Khabanyane, Maimane & Ramabenyane, 2014).

Mezirow (2009) when developing the theory at some point around two decades ago which now is evolving to a further comprehensive, all-inclusive and complex depiction of the process of learners validation and reformulation of their experiences and deeper meaning. He suggested that learners tend to be changing their meanings based on their prior experiences, feelings, beliefs, and attitudes after critically reflecting on them, hence resulting to perspective transformation, Mezirow (2009), found out that at times lesser recurrent transformation occurred and resulted from a previous life transition and crisis triggering dilemmas (Ramabenyane,2014). However, it can be as a result of accumulated transformation of meanings throughout a specific period. An essential portion of transformative learning is that people are able to modify their framework of references by analytically having reflections on own assumption and convictions intentionally implementing the proposals that result to newer methods of identifying with their world hence making the process normal, balanced, investigative and analytical (Maimane, 2014). This theory clearly explains the Level of Education variable in the study and its relation to budgeting, planning on finances, saving habits, opening of bank accounts and even individual views on bankruptcy and debt management.

2.2.2 Multimedia Learning Theory

Multi-media learning by Richard Mayer, who puts emphasis on the principle of multimedia, suggesting that individuals learned intensely when pictures were used together with words compared to when words were used only. This theory has based its findings in three assumptions; First, that the existence of two separate channels in which information is processed thus visualized images and heard audios. Secondly, Both the visual and auditory channels each has limitation in capacity.

Thirdly, learning process is not a passive process but an active one where there is filtration, selection, organization including integration of information on prior knowledge basis (Benassi, Overson & Hakala, 2014).

Richard emphasizes that human beings simply process a limited levels of information using one channel at any given moment and making sense of the next coming information through active creation of mentally figured representations and imagination. Richard, elaborates on the significance of these three memory storages thus, the sensory where stimuli is received then temporary stored here, working is when process information in an active manner creating constructs mentally, then the mind stores all the learned things for long term period. He demonstrates the success of transfer of knowledge where fresh information is in integration with knowledge previously obtained (Benassi, Overson & Hakala, 2014).

Multi-media learning theory elaborates on usage of visual and auditory teachings and learning materials including but not limited to, videos, computers and the information technology while focusing on the principles determining effectiveness multimedia use in teaching and learning. The focus is on the use both the auditory and visual information

channels for quality processing of information. Auditory channels, involves hearing of instructions and information whilst visual channels process information in form of images and can be visible (Benassi, 2014). Generally, visual channels hold lesser information in words than auditory channels since most of the information is in pictorial form.

The highlight is on the use of the visual and auditory channels together for quality information production and processing. Moreover, auditory channels deal with data and information obtained through hearing, thus what is heard while the visual channels is processing information that can be viewed or seen (Hakala, 2014).

However, when the auditory and visual channels are together presented with information then, extra knowledge is maintained. Information provided should be précised and clear since when there is excess information delivery, it would be efficiently acted upon and long term memory becomes impossible. Multi-media learning tries to provide the informers with capability to kindle both auditory and visual channels of information to the student, hence results in great learning progress that results in better knowledge retention and learning process (Benassi, Overson & Hakala, 2014).

This is the main strategy used by most financial and non-financial institutions today to educate their targeted groups (Mwangi, 2012). For Advertisements, emphasis is placed on the presentation, attractiveness and the theme color. Great graphics is involved to entice the viewers on the best financial products. The theory elaborates further on the concepts of Level of Education, Income Level and Sources Of Financial Information as an individual would be able to identify auditory and visual information to what they would have learnt or experienced before and be able to relate to them.

2.2.3 Bounded Rationality Theory

Bounded rationality is distinguished from the perfect human rationality which suggested in the classical and neoclassical economic theories and the reality (actuality) of human behavior as viewed in economical life (Simon, 1992). The behavior assumed of bounded rationality embody dismissal of perfect knowledge and optimized economical factors, that characterize the treatments of rationality in neoclassical economics and alternatively involve the element of limitation or restriction (Bruin & Hartle, 2003). The neoclassical conditioning of locates limitations to external environments and surrounding, yet Simon's concept of bounded rationality observes limitations as arising from the individuals own cognitive limitations (Brun & Dupuis, 2000).

Specifically, people do not have the capability of taking into account availability of information, compiling exhaustive lists of alternative course of action and determine the value,

worth and likelihood of each possible outcome (Hindess,1998). Bounded rationality perspective shifted the emphasis from neoclassical which shows and elaborates on the characteristics of optimistic and consistent information based on perfect knowledge, to acknowledging imperfect or deficient knowledge, awareness and satisfying behavior (Susan, 2003).

From the theory, it is evident that in reality many individuals seem to have limited information and imperfect knowledge. These could be due to limitation to access a certain level of education hence directly influence financial literacy, such as only reaching lower primary instead of completing primary level, secondary and even the tertiary levels. This is the reason people are often unable to optimally achieve in the framework of a constantly

changing, dynamic and complex financial products and services. Individuals tend to get advice on financial products from close friends and peers due to assumed mistrust of financial advisors and have preference for products with which they are comfortable. Older and experienced individuals are aware of precedent performances and prior experiences hence trying to relating the present situations to past, this makes the older more financially literate than the younger group (Bruin & Hartle, 2003).

Bounded rationality theory explains the limitations faced by individuals to the access of factors influencing their level of financial literacy (Akumsih, 2015). Relevancy of the theory to the research is seen as it tries to explain why individuals are financially illiterate and this could be due to being bound to the level of education accessed, the age factor (the current age of the individual), type of occupation they participate in and even their level of income. The relevancy of the theory is evident as it clearly illustrates financial literacy level on the basis of demographic factors of Gender and age.

2.2.4 Social Learning Theory

Social learning theory demonstrates the role played by societal factors for instance, sources of financial information and advice influences the shape of an individual's attitude.

Furthermore, the financial behaviors, norms and values individuals hold on finances basically comes from their surrounding just like the societal interactions effect on individuals behavior and attitude by modeling, testing and application of a wider range of circumstances (Glaeser & Scheinkman, 2003).

Cultural differences significantly influence financial literacy due to the fact that distinct population groupings contain different beliefs, practices, customs and attitudes in relation money management. For instance, in several cultural backgrounds being in debt viewed to

be unfavorable, hence can hinder people from acquiring debt to avoid being in history of debt, (Berkowitz, 2003). Societal interaction affects the decisions made financially since individuals receiving and processing information is by interaction with other individuals in the society. Various individuals are using information obtained from their peer groupings on financial decisions participation since they short of own sound information. Furthermore, societal norms beliefs influences people when making decisions due to the desire of acting in the same manner as their peers in their social groupings, (Wagner, 2015).

The theory of Social learning shows that a person's financial literacy can be as an influence of socio-cultural factors including sources of financial information and advices that shapes an individual's attitude and behavior. The financial beliefs, values and attitudes individuals hold on finances is as a result of environmental effects of social relations and interactions which are suggested to model an individual's behavior, (Lusardi, 2011). In addition, Cultural differences significantly influence financial literacy since people for dissimilar backgrounds seem to be having different beliefs, way of life, preferences, behavior, attitude and experience relating to money management. In fact, in various cultural beliefs debt and bankruptcy is seen as a negative thing, backwardness and lack of proper planning and contentment that may discourage a person from getting involved in debt. Social interactions significantly affects the financial decision making, since individuals after receiving and processing information by interaction with one another as individuals use this information on participating because they might not have independent rational information on financial products (Bandura, 2007). This is significant because individuals seem to trust financial information that their peers or community members know more than to that which the financial advisors could. The role of primary caregivers such as parents and guardians is critical, just like the socio-cultural beliefs, norms and way of life of many

families and communities (Anzola, 2016). The socio-cultural framework in a family set up, individual's limits, and peoples relations plays a important roles on how individuals perceive money.

There is enough evidence that association connecting financial literacy and financial education, exists at the younger ages of life where the young graduates in the colleges performed was best in the numerically set tests. Furthermore, acquired family attitudes result to higher effect on the future financial behavior of individuals especially for the youth (for example the tendancy to save and take risks) than the knowledge acquired in formal education, (Mohamed, 2014)

2.3 Empirical Review

Researchers have found that with implementation, comprehension and application of financial literacy, could result in a booming economy with great opportunities generally. Currently there is a high rise in bankruptcy, poor debt management, household debt and poor risky investments being among the reasons that should recognize that the necessity of literacy in financial matters cannot be assumed. Individuals with high financial literacy levels are found to be great fund managers.

This is because they prevent issues that arise due to obligation of finance and credit, are able to understand the available financial choices and best financial opportunity. Furthermore, the individuals are able to do evaluation and comparison of the various forms of financial services, products and opportunities (Lusardi & Mitchell, 2014).

Kefela (2010) suggested that due to the dynamic economical situations worldwide and unpredictability in the financial markets then, financial literacy maintains the status of being a vital endurance means when utilized efficiently may leads to vibrant economic development of a country in general. If this is not emphasized it would result to an informed decisions on finance and lower

financial literacy that would lead to economic deterioration and low standards of living its people (Brown, 2009).

A study done in Pakistan, showed that people were basically making deposits in their accounts so as to get wealthy through the profits received, without knowing how what would be done. Most of them were unaware of the purposes, activities and its function, in the presence of financial markets and other financial institutions hence generated the requirement to researching, determining and measuring financial literacy in Pakistan (Kefela, 2010).

In previous studies, it has shown that limitation in financial literacy may cause and result from variations in opportunity in gaining understanding and awareness in issues of finance. Today, literacy in financial matters is an issue with great concern to many individuals, since services and products of finance are becoming more difficult, with complexity due to its dynamic nature making it complicated in making the best choice. It has been suggested, that the greatest achievement of stability in finance may only be actualized by emphasizing of financial literacy in developing countries (Brown, 2009).

In developing countries like Kenya financial literacy has relevancy since many individuals have inadequate financial information and resources hence exposed to high risk. In Kenya the government, Non-Governmental Organizations, Financial institutions and Non-financial Institutions have considered the necessity for financial literacy greatly among others (Kefela, 2010),

Insufficient awareness, knowledge and comprehension of finance issues can place individuals in high risky situations, of not taking necessary evaluations prior to entering in investments, agreements and contract with various financial service providers.

2.3.1 Level of Education and Financial Literacy Level

Education is categorized in form of formal or informal education. Formal education having primary, high school and university section. High levels of education in association with a high level of degree in financial knowledge, Other factors he looked at in relation to financial literacy were; time preferences', wealth resources and family's backgrounds (Lusardi *et al.* 2010). Their literature explored the function of households reserves as determinants of financial knowledge being on the basis of experimental contribution. In addition, Meier & Sprenger, (2008) indicated that financial awareness is definitely linked with levels of income. In Italy, Guiso & Jappelli (2008) realized that higher income-levels and financial prosperity were directly connected with great financial knowledge attained and higher amount of times obtaining participants information.

OECD (2004) investigated factors that could promote a more accountable, inclusive and comprehensive globalization. They held their 2nd OECD conference of ministers in charge of Istanbul's small and medium sized enterprises SMEs in Turkey. This was their final report among the ten others that set out some policy message and recommendation to the Austrian economy. They explored why women's entrepreneurship was difference from men in both form and quality.

Among the reasons they found out was that, there was a problem in underdeveloped economies, where social structure and economic problems deprived women of basic education since illiteracy among women was higher than for men. For example, the rate of literacy is 43% for women and 55% for men in Bangladesh. Illiteracy excluded women from possibilities to access information through which they could identify and assess different entrepreneurial opportunities (Glaeser & Scheinkman, 2003).

This included financial information and resources as their ability to exploit an opportunity was hampered as women were not able to read, write and count subjects. This exposed them to the risks of being financially exploited by others and having to operate in the informal sector as they needed to rely on others for information on what is happening around them. This was unfortunately the case for many women entrepreneurs in developing economies, both in Africa and Asia, since the combination of high levels of illiteracy and low social position exposes women to a high risk of exploitation and violence (Glaeser & Scheinkman, 2003).

The World Bank development research group Cole et al. (2011) in their paper reported results on their experimental study in measurement of financial education impact on the three grades of financial knowledge including; attitudes on financial decisions, basic financial skills and numeracy skills, among the low income urban households in India. In their conclusion, they suggested that financial education had limited effects in increasing financial numeracy. Particularly, they did not discover that financial literacy teaching fosters personal abilities to exercise and compare interest returns and insurance expenses respondents were unable to answer these questions correctly.

Nevertheless, they found out that financial education influence respondents understanding and attitudes towards financial products. Their outcome had important implication for advancing both research and strategy, since their results indicated that measuring financial literacy should not completely focus on questions that needed high numeracy skills. Furthermore, financial education programs might influence financial decision making through channels other than financial numeracy that is by making people more aware concerning the details of financial products and shifting their attitude towards the purchase and suggestion of formal financial products and services (Beal & Delpachitra, 2003).

They said that the alternate channels might be as vital, than enhancing numeracy skills. Furthermore, their discovery on financial education affects financial awareness, behavior and approach providing evidence for established causal framework between financial literacy training and financial outcomes. These modifications in awareness and attitudes might allow people who have received the training to access suitable financial products in the future (Beal & Delpachitra, 2003).

Tschache (2009) in Bozeman, Montana did a study determining the importance of financial literacy and education in today's high school students and the content areas in the curriculum that the research participants thought and believed to be the most vital areas to be taught in a financial education curriculum. Tschache questioned the teachers, administrators, parents, business owners, and community members in his survey. As a high school teacher, involved with today's youth, the he saw a need for financial education for the future consumers to be successful in the global economy as they would be forced to make complex financial decisions upon graduation they had never made before.

Therefore, they could have a greater chance of making wiser choices if get exposure to knowledge and skills in school work such as Personal Finance. The researcher found out that there is a definite need for financial education in our educational systems and curriculum areas today. He also discovered that there has been a steady developing growth of exposure to financial education making it even more valuable for the future. He noted that there were agencies, states, and mandates that supported this idea of financial literacy and that it was important to know what the teachers, administrators, parents, business owners and community members feel about the value of the content of this type of curriculum. The researcher believed that students could be exposed to instruction on managing their money through a Personal Finance class and increase their knowledge and

skills to handle financial issues in their future. The researcher planned to offer a Personal Finance class to juniors and seniors at Bozeman High School to fulfill future mandates that their state might eventually be required to meet and fulfill an acquisition of knowledge and skills that the students of Bozeman High School needed to function in an ever changing global economy (Atkinson & Messy, 2013).

His recommendations were that more in depth study of the concepts that were currently being taught in schools as they would be of great help to know what is being taught in the elementary grades as well as the middle school leading up to the high school. Furthermore, researchers could branch out from that study and look at growth in the financial curriculum in all subject areas for the state of Montana in the year 2014.

The Organization for Economic Co-operation and Development (OECD), defines financial education being a where individuals in financial markets attain literacy in finances by ways of formal education and informal education. This is in schools and seminar trainings respectively, which guarantees these individuals with awareness and know-how of investments opportunities, riskiness with more general knowledge to fulfill their financial needs and requirements to have the best financial choices when investing (Seth *et al.*, 2012).

Financial education is a process by which individuals have improved knowledge, comprehension and skills of financial services, products, concepts and risks by accessing financial data, instructions and specific advise hence they improve their capabilities and self-confidence on high risks of finance and create opportunity awareness so as to have adequate information. This is useful when making choices, accessing help and taking the right adequate action to developing financially. Individuals could also in exposure of

advanced and established education policies on finance and trainings to improve and develop Financial Literacy Level knowledge and skills (Hastings, Madrian & Skimmyhorn, 2013).

Holzmann (2010) identified financial education as a resolution to improve and develop financial literacy all over the world. In fact many countries around the world are adopting this in their national financial strategy. Nevertheless, guidance, regulations and direction needs to be provided especially to developing countries for effective setting up of the same strategy.

Johnston (2005) found out that there is a higher number of illiterate investors financially all over the world. These investors have not been able to their financial needs and the best financial tools or instruments to apply to solve and fulfill their need.

Financial education programs have been designed to develop and improve the levels of literacy in financial for people seen as potential investors to enable them make the best decisions of investing their finances. However, these available programs are insufficient to enable individuals to be financial experts (Onyango, 2014).

The several studies done in the United States, show that individuals with limited English know-how that is inadequate ability to read, communicate, write, comprehend, speak and understand the English language, highly tend to have lower attainment in education. This is because the level of education affects Financial Literacy Level of an individual. A report by the Lutheran Immigration and Refugee Service suggested that the improved financial literacy knowledge and skills were required to understand legal terms and conditions connected to the financial contracts. It was suggested that it takes up to 5 years of

practicing regular English communications and use so that a native immigrant could achieve the required level of financial literacy (Schagen & Lines, 1996).

In prior studies, it has been proven that individuals with limited or inadequate English proficiency, yet do not have literacy in any other languages were faced with massive difficulties in learning, application and understanding issues of finance. This generally impedes their capability conducting the daily affairs of financial. Several financial service providers argue that financial literacy is influenced by other factors apart from the limit of English proficiency. There may be solutions such as translation of financial information on products, services, and financial education resources can be insufficient to tackle barriers to the advancement of financial literacy. It was concluded that, although conquering language barrier is vital, attempts to progress and develop financial literacy and individuals wellness must reconsider cultural, social and economic when managing English proficiency limitation (Monticone, 2010).

Researchers have found out that individuals within adequate proficiency in the English language were often using alternative financial products and services. These individuals were highly vulnerable to fraudulent and highly risky practices. Most of them did not hold or operate and bank accounts in any financial institutions. A study by the Lutheran Immigration and Refugee Service found that many immigrants tended to trust the financial service providers speaking their native language. This is whether they understood the agreement legalities or not, they relied on the service providers who shared a common language with them. Lack or inadequate proficiency and knowledge in English language may generate significant difficulties in advancing the financial literacy level and financial affairs improvement. However, to solve this problem, interpretation or oral translation may be included, although it may be of limited use especially when the interpreter does not

clearly and fully understand the language to be able to expound and describe the material. This problem is worsened especially when adults get assistance from the young or their children due to limited English proficiency (Guiso & Jappelli, 2008).

Several researchers have agreed that inadequacy English proficiency may cause significant hindrances and barriers to advancement in the financial literacy level. Despite unsystematic research on conducting daily financial affairs gives the complications of financial services, products and used language of describing them. Some researchers elaborated that, since language is the main medium mostly used in accessing financial information, instructions and ideas. Therefore, individuals with inadequate English language knowledge and skills seems to limit their ability in communication using English language when speaking to financial products and service providers. Some individuals are able perform tasks essential to initiate and take up financial transactions when accessing financial services, tools, and instructional materials. These include but not limited to filling in key required documents, bank account management, problems resolutions, and financial education access. Financial literacy has a positive relationship with financial education where individuals with low education levels such as elementary stage- primary level were rendered to have low level of financial literacy in comparison to holders of degrees and the graduates, they emphasized that the literacy was based on the type of unit, subject and course studied. (Almenberg & Säve-Söderbergh, 2011).

Researchers have identified the need for reform in the teaching of financial-economic knowledge and the introduction of programs aimed at increasing interest in financial matters. It would be important to teach this kind of knowledge efficiently in the lower levels of the education system, as most people do not continue their studies in higher education (Almenberg & Säve-Söderbergh, 2011).

Emphasis should be placed on practical training as several researchers have demonstrated that the interesting financial matters and the interest vested in them have a favorable association with Financial Literacy Level of individuals, so special emphasis should be given to this aspect in addition to imparting financial knowledge (Onyango, 2014).

In addition to the above, correlation amid financial literacy level and the financial education has been discovered to be present at the early stages of the lifecycle where young graduates' performance great in numeracy tests (Mandell, 2004). Certain studies have shown that financial education is not sufficient for providing adequate information and developing skills, since the attitudes acquired in the family have a greater impact on the future financial behavior of individuals especially the young people (for instance the propensity to save and take risks) than the knowledge acquired in formal schooling (Hanti, 2011).

2.3.2 Demographic Factors and Financial Literacy Level

A study was done by Monticone (2010) on the theory and empirical proof on financial literacy and financial advice established the determinants of financial literacy to be; Demographic characteristic, that is being white male, which was usually associated with superior financial knowledge in many countries.

2.3.2.1 Age

Lusardi & Mitchell, Lyons *et al.* (2007) pointed out the presence of proof of an inversely U-shaped ages outline of financial knowledge, denotation; adults in their middle ages reported scored highly compared to both the young and old aged profiles. The initial increase with age is connected to a rise in experience, whilst the consequent decline is in relation to a resultant of weakening intellectual function (Agarwal *et al.* 2009).

Researchers have found out that Age affects financial knowledge level of the many student financial knowledge, which develops over time, as they grow older. This seems to be evident, just as in other areas and aspects of life, where scholars gain more knowledge in finances in the course of our lives. In addition, as they grow older, young adults more frequently find themselves in situations such as taking out a loan and buying a real property that helps expand their financial knowledge (Luksander, Béres, Huzdik & Németh, 2014).

Studies show that family background also influences the financial knowledge value achieved by the young people in the family especially if some of their parents and grandparents have a higher degree. The association between levels of financial literacy and age groups was highest at ages 45 in Indonesia and 40 years in India (Xu & Ziaa, 2012).

Age was suggested to have a positive relationship with financial literacy levels, a study on financial literacy levels suggested that basic financial literacy profile is negatively skewed in terms of age. The financial literacy level has been suggested to be lower amongst the young; highest among middle-age respondents especially ages 40 – 60 years then decline at the ages of 61 and over years (vanRooij, Lusardi, & Alessie, 2007). Similarly, in Australia their youngest age group 18-24 years and oldest age of 70 years & over group displayed lower financial literacy levels scored (ANZ, 2008)

In one of Worthington's (2004) studies on financial research, his conclusion was that financial literacy levels of the old people of Australia aged 51-60 years were lower than the young group of 21-49 years. Almenberg (2011) agrees with the resultant findings where financial literacy levels amongst many individuals of age group of 35 -50 were higher in comparison to the individuals aged 65 years and above in Sweden. They elaborated this relationship between age and financial literacy level using a curve showing financial literacy levels of different age groups of individuals. The curve

had its peak at ages 35 and its lowest at ages 65. Similarly Lusardi and Mitchell (2006) found out that there was 5% improvement in financial literacy levels tested scores of performance at the key ages of 25-65 years group compared the ones below the 25 years and above age 65. The U.S retirees who were in their ages of 51 -56 years group had minimal financial literacy levels. Accordingly, researches in both India and Indonesia identified that higher financial literacy level was highest at ages 40 years in India and 45 Indonesia (Cole, Sampson & Zia, 2008).

Lusardi *et al.* (2006) revealed that retirement age influenced Financial Literacy Level of individuals aged 51-56 years who had a low level of financial literacy amongst all age groupings. They suggested that the financial literacy level seemed to decay as individuals age increase and them becoming older. Finke *et al.* (2011) similarly when researching expounded that older ages were largely connected to low levels of financial literacy worldwide and indicated that it was due to intellectual process decline in faster rating at this age, hence affects their capability of remembering significant features of finances. Financial Literacy level has been found as lower amongst the young, higher amongst the middle-aged participants of 40-60 years then has a slight decline for those with 61 and over years.

2.3.2.2 Gender

Gender as a forecaster to financial literacy has been done many researchers around the world. Researchers including Mandell (2008) Almenberg and Save Soderbergh (2011) and Lusardi *et al.* (2008) conclude that generally men's tend to performance is superior to women on varied financial literacy examinations. Explaining how low financial literacy was more visible in women compared to men due to the fact that financial decisions are done by men in households in Sweden. Goldsmith and Goldsmith (1997) elaborated that because women are naturally not interested in financial matters for the house, then they obviously scored worse than men in topics dealing with personal finance.

According to the several findings, men performed better on the test measuring financial knowledge than women hence it is assumed that men are more interested in financial matters than women and as a result, they are better informed. Loibl and Hira (2006) research suggested how women's financial literacy levels are low compared to men's since women don't have much understanding of financial markets.

Ford and Kent (2010) suggested that the distinguish amid men's and women's financial literacy levels the fact that; women do not have an interest in financial matters done at the financial markets. Also, they feel demoralized due to the complication of the investments in financial markets and that do not have situations understanding and knowledge of financial instructions and information. These factors cause a lack of curiosity to individuals financial management, therefore, leading women to have no interest in the functions of the financial markets eventually.

Fonseca et al. (2009) specifies that because women are recognized to living long years methodically and a smaller proportion having professionalized occupations, therefore, they have lower financial literacy levels making them vulnerable financially. He emphasizes that financial education is an essential factor in expounding the reasons men hold higher financial literacy levels. He upholds that when many women particularly would be allowed to pursue and advance their education, especially in developing countries then eventually gender-based differences would be minimal on financial literacy levels.

In other studies, it was found out that, there was a crisis in under developing countries since socio-economical structures and barriers deprived women the opportunity of basic education since the level of illiterate women was high than for men, for instance financial literacy rate in Bangladesh is 43% and 55% for women and men respectively. Illiteracy excluded women from opportunities in accessing adequate financial information where they could access and identify various opportunities

on entrepreneurship. This included financial information and resources as their capability in exploiting opportunities was hindered hence women were unable to have the skills of reading, writing and counting subjects. This exposed them to the risk of being financially exploited as they needed to rely on others for information on what is happening around them hence could only operate well in the informal section. This was regrettably many cases for businesswomen in developing countries, in Asia and Africa Continents, since the mixture of higher levels of financial illiteracy and lower societal positions exposed women to higher risks of being exploited, hostility and brutality cases (Fonseca et al. 2009).

2.3.3 Socio-Economic Factors and Financial Literacy Level

2.3.3.1 Occupation

Occupation has been linked with financial literacy by many researchers being shown as an element of financial literacy. Worthington (2006;2008) demonstrates that high levels of financial literacy amongst the Australian's employed in formal occupations, compared to those with unemployment and those working in Informal patterned works. Financial literacy tests scored highest particularly among people in specialized professions and administrative management jobs (Monticone, 2010), ascertains that the group with higher levels of financial literacy were the white-collar jobs group in Italy. The next were those in self-employment, then finally the group with the lowest literacy level were those under unemployment, informal jobs, including people employed in hospitality and tourism departments. His explanation is that financial literacy levels depend on the kind of formal and self-employment one involves in. Such as people employed as accountants and those in financial sectors have higher financial literacy levels compared to a technician or doctor this is due to the types of jobs they involve in (Monticone 2010).

Cole et al. (2008) argue that people operating as entrepreneurs in Indonesia had higher financial literacy levels in comparison to those involved in farming who had low levels of financial literacy.

Similarly, a study of individuals who invested in the United Arab Emirates established that those working in the fields of investments, banking and finance displayed high level of financial awareness and understanding compared to the ones in other occupations (Al-Tamimi & Kalli, 2009).

2.3.3.2 Income Level

The concept of Income Level was developed first by Delavande *et al.* (2008) this argument was that more risky assets that are held by individuals directly represent higher level of financial literacy. That is, if an individual has invested in stocks market, their return is determinant of the financial literacy level possessed by the individual. Generally, financial literacy level was found to be associated with the levels personal income. Higher financial literacy levels seemed to be displayed by people with high-income levels while low literacy levels were those with low incomes (ANZ, 2008).

It has been proven that higher levels of income act as a motivation factor financial literacy level improvements because individuals to manage finances and their income well, individuals sought financial knowledge. Guiso *et al.* (2008), Lusardi *et al.* (2009) and Alessie *et al.* (2007, 2008), all suggest how level of income is a significant determinant of financial literacy levels (Xu & Zia, 2012).

Studies done on students show that the more income students have and the less of it comes from the family as support, the more advanced their financial knowledge is, as the students with a higher income can make financial transactions such as investments which their less wealthy peers cannot afford. Furthermore, higher income can increase interest in financial processes due to exposure, as that the students who have to rely on other sources to generate income for instance on student loans could, as a result, acquire new financial knowledge (Xu & Zia, 2012).

Traut -Mattauschand Jonas (2011) suggested that association amongst savings and financial literacy levels is balanced with income level which has a favorable significance with the savings habit. Several Guiso *et. al* (2008) and Lusardi *et al.* (2009) found out that, wealth factors (such as investment held) have significantly affected financial literacy levels because the attainment of knowledge on finance might be encouraged by the need to manage own model were sustain with several experimental conclusions that financial literacy increases with richness (Guiso *et al.* 2008; Lusardi *et al.* 2009). Riches build up enhances financial literacy since people pursue increasing the current financial literacy so as have knowledge of what they have yet the ones less wealthy are lesser probable increases their financial literacy levels.

There is adequate proof to indicate the underlying effects of the level of incomes to financial literacy. Several studies show how income impacts to financial literacy levels since necessity of managing own finances acts as a motivator when acquiring information, knowledge and understating of financial matters. Willis et al,(2008) establishes the existence of a cutting edge mean-variance where investors continued get adequate yields on their earnings based on a specified level of risk. They made a conclusion, that though investors spent costs to gain the benefit of literacy, they obtained high risky substantive benefits. Therefore, as investments costs rise with financial literacy gains same as the yields; high financial literacy levels guarantee high returns as compensation costs involved in attaining the literacy. Thus, higher-income earning individuals need to be the courage to attain more knowledge on finances as it reflects higher return level to be received on investment made (Willis et al2008)

However, Peres (2004) had research suggested that higher income earners had more to spend compared to lower income employees. Therefore, higher income employees seemed to spent excess in attaining financial literacy, that is the financial products and services information in the market hence branded them as businesspersons who are risk-takers. Peres specifies that high costs involved

in advancement of financial literacy raise portfolio adjustment returns and risk. Therefore, acceptance of higher expenses of investing by the high income earners enables them to appropriate individuals to expect great proceeds in financial market places. Peres cautioned, whilst higher income recipients may apply the ideal of “high risk- high returns” subsequently lower income recipients may not receive similar advantage (Peres 2004).

2.3.4 Sources of Financial Information and Financial Literacy Level

The study has reviewed several information sources and selection of financial advisers frequently depend on and the influence on other people’s levels of financial literacy. These being use of informal tools, for instance, family members and peers while Formal tools are financial experts, bankers, television sets, newspaper, magazines, and the internet.(Mohamed, 2014)

Many studies show higher percentage of persons having lower levels of financial literacy have the tendency of mainly relying on the informal tools of friends, families, and colleagues on financial information and advice. Studies on financial literacy show that individuals with lower financial knowledge prefer getting advice from friends and family members in comparison to that from formal sources. Individuals that indicated high levels of financial literacy seemed to rely on formal tools that include consultants, financial advisers, experts, newspapers, and internet more compared to their counterparts the informal ones (van Rooij *et al.*, 2007).

Lusardi *et al.* (2005) discovered that financial literacy associates with the type of tools used. The aspects, which influence financial literacy levels directly, can indirectly have effects on the choices of financial advisers and information resources. For instance, the type of occupation would determine the sources available for the individual such that an

accountant would have more logical with referential information would a doctor would rely on financial materials available in financial institutions and financial advisors.

Furthermore, the financial beliefs, attitudes, norms and specific values individuals hold on finances comes from within their surrounding as outcomes of societal relations and connections to personal behaviors testing, modeling, and application to wider selection of events (Glaeser & Scheinkman, 2003). Societal interactions might have effected a person's financial literacy level since individuals tend to receive, processing and understanding instructions by networking. Cultural distinct features and differences have a great role in financial literacy due to the different populations having different beliefs, norms, experiences, and attitudes related to finance management since in some cultures being in debt is negatively viewed, hence may discourage people from taking up loans to have credit histories.

2.4 Summary of Literature Review and Research Gaps

A detailed review of the literature reveals that the following factors influence financial literacy. These are; Level of education, Gender, Age, Income level, Occupational status and the Sources of Financial information and advice. It shows that individuals in many nations are financial illiteracy and this has been acknowledged by many nations globally, who are finding better ways and measures put in place to curb this problem that constantly changes due to the complex and dynamic financial products and services. The studies done on factors influencing financial literacy in Kenya are limited and do not address the independent variables in this study directly. This research, therefore, sought to cover this gap by investigating these factors that influence financial Literacy in Meru Municipality, in Meru County, Kenya.

2.5 Conceptualization

A conceptual framework is a diagrammatic presentation of the relationship between dependent and independent variables (Mugenda & Mugenda, 2003). In this study, the dependent variable is financial literacy, the independent variables are the factors influencing financial literacy as identified in chapter one. The conceptual framework developed in this study provides a strong basis for conducting further surveys to provide empirical evidence to enhance understanding of the determinants of Financial Literacy Level in Meru Municipality, in Meru County.

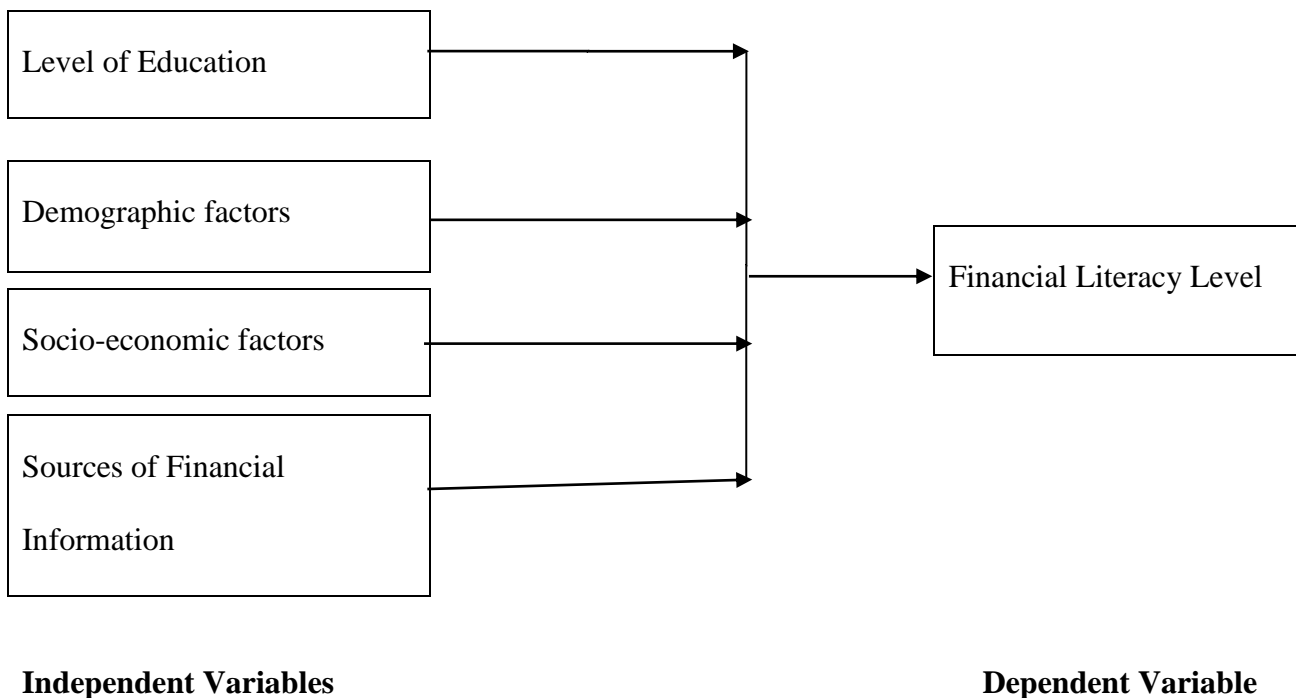


Figure 2.2: Conceptual Framework

Concept of Financial Literacy; Financial Literacy is a combination of the processes of awareness, knowledge, understanding, skills, attitudes, and behavior that is essential to make sound financial decisions to eventually achieve individual financial well-being by making well-informed decisions on finance matters for the best financial welfare of individuals to be achieved. It involves the know-how of appropriately decision making with regards to individual financial matters such as,

budgeting, real-estate, medical plan, insurances, investments, saving account, taxation plans and retirement schemes. Moreover, it entails in-depth understanding of finance concept of interests, consumer's rights, credit cards applications, mortgage planning, various saving methods and time value of money applications (Brown, 2009).

Concept of Level of Education; Education is a process whereby financial consumers advance their knowledge and understanding of financial products, advancements, concepts and risks through financial information, instructions and objective advice. These enhance the development of skills, financial risks confidence and awareness so as to make informed choices on available opportunities, access help and make effective actions to improve and maintain their financial status. Education is categorized in form of formal or informal education, where Formal education is having primary, high school and university section (Lusardi et al., 2010).

Concept of Age; Age is regarded as the length, span or period of time that a person lives or a thing exists (Cambridge English dictionary). In this case, there are the young (18-40), the middle-aged (40-60) and the old individuals (over 61 years).

Concept of Gender; FAO (Food and Agriculture Organization), (1997) defined gender in relationship between women and men in the society and mostly directs the processes of reproduction, production, distribution and consumption. Gender also seen as the situation of either being a male or a female in reference to use under social cultural differences instead of basing on biological differences.

Concept of Occupation; Occupation status can be termed as a state of being employed, self employed or unemployed and this could be in regards to white collar jobs or Blue collar jobs.

Concept of Income level; Income level can be classified in terms of lower income earners, thus a group below the Pay As You Earn threshold, the middle-income earners and the high-income earners.

Concept of Sources of Financial Information or advice; Sources of Financial Information and financial advice include the formal and informal tools of information source. The formal tools include professional advisors, financial magazines and reports, while informal tools include family, friends and peers.

2.6 Operationalizational Framework

The operational framework below shows the relationship between the independent variables and the dependent variable. It also states the indicators used to measure each of the variables.

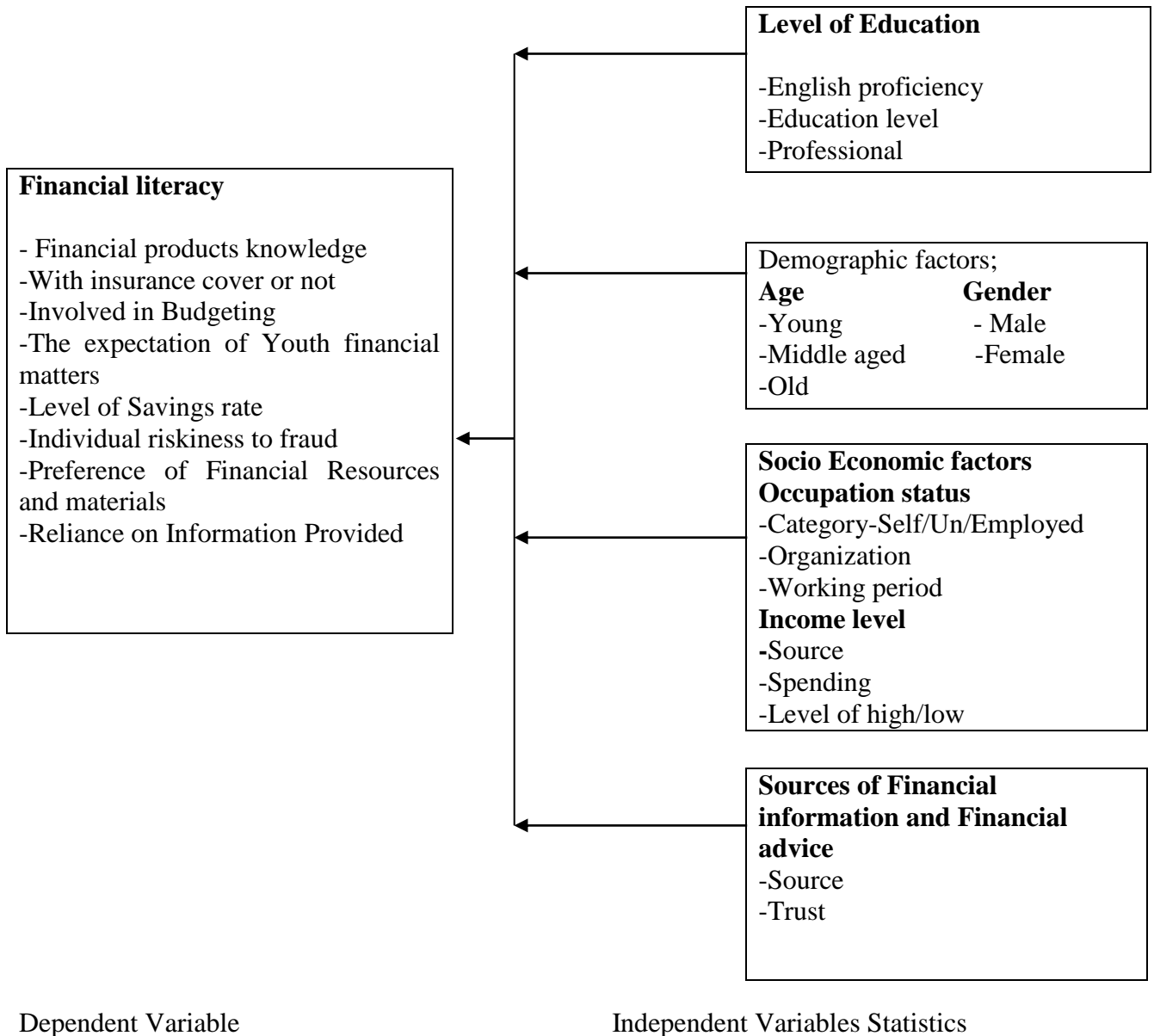


Figure 2.3: Operational Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Chapter three provides a discussion of the research methodology used in carrying out this study. This includes the research design with respect to the selection of the design, target population of the study, sample design and sample size, data collection methods, reliability, validity, data analysis and presentation and finally ethical considerations adopted in the study.

3.2 Research Design

The study employed descriptive survey research design, According to Wangai (2006), descriptive research is a scientific technique of investigation where data is collected and analyzed in order to describe existing conditions and the relationships concerning a problem. This design was chosen due to the nature of the data that was collected over a period of three months and the scope where the respondents were in different places. The research design for the study according to Zikmund and Babin (2007) states that not only can one collect general data from a relatively large sample size, but can provide a quick, inexpensive, efficient and accurate method of accessing data regarding the target population. The descriptive survey minimizes bias, saves time providing insight and actual information that maximizes reliability of the evidence collected. In this case to give accurate description of the association between the two variables, that is, the dependent variable, Financial Literacy, and the independent variables, Level of education, age, gender, occupation status, income level and sources of financial information and financial education.

3.3 Target Population

A population is a complete set of elements in the study that is the individuals or objects possessing common characteristics to some level, defined by the sampling criteria established by the researcher. There are two classes of population namely, target population and accessible population.

The target population is the whole group of people or objects to which the researcher desires to generalize the study findings while Accessible population is the section of the population to which the researcher has reasonable access to and are a subset of the target population. The target population expected to be the all individuals residing in Meru Municipality, in Meru County, 30,804, see Table 3.1. The Accessible population for the study was 30,804 population in Meru Municipality.

Table 3. 1. Target Population

Meru Municipality Locations	Population
1. Cathedral	3,242
2. Gakoromone	3,189
3. Central	3,095
4. Stadium	4,975
5. Mwendantu	2,271
6. Milimani	2,891
7. Kaaga	4,254
8. Hospital	3,606
9. Commercial	3,281
Total	30,804

Source: Kenya National Bureau of Statistics of Kenya (2009)

3.4 Sample Design and Sample Size

According to the Kenya National Bureau Statistics of Kenya, as by the year 2009 Census Meru Municipality, in Meru County has a population of 30,804, see Table 3.1. The study used a non-probability sampling method which of the convenience sampling technique. Non-Probability sampling is done without consideration of equity of selection among the elements. The convenience sampling technique is often used because of reality, where a researcher cannot draw a clear sample, but has a group that is accessible, is a representative of our target population and presently available to the researcher. The technique allows the researcher to get a higher rate of response as the

respondents are easily available, time is saved and there is no need for long-distance travel in search of particular correspondents hence it is inexpensive.

The sample size is the representative portion of the whole population (Brown, 2009). A sample size of 400 was selected from the total accessible population of 30,804 individuals in Meru Municipality, see Table 4.3. This is due to the fact that with a confidence level of 95% and a population of 30,804, the sample size has to be 400 people. These people were chosen from group meetings and training, Salons and barbers, Market places such as Gakoromone Market, Main Matatu Stages, Financial institutions and schools as they comprised of individuals with different characteristics that allowed for viable findings to be made

The formula recommended by Mohamed (2014) for calculating the sample size. A 95% confidence level and $P= 0.05$ are assumed

$$n=N/(1+N(e^2))$$

Where;

n is the required sample

N is the total population

e^2 is the probability error

$$n=30,804/(1+30,804(0.05^2))$$

$$=30,804/(1+77.01)$$

$$=395 \text{ thus} \quad = 400 \text{ people}$$

Table 3. 2.

Sampling Framework

Meru Municipality Locations	Population	Percentage	Sample Size
1. Cathedral	3,242	11%	42
2. Gakoromone	3,189	10%	41
3. Central	3,095	10%	40
4. Stadium	4,975	16%	65
5. Mwendantu	2,271	7%	29
6. Milimani	2,891	9%	38
7. Kaaga	4,254	14%	55
8. Hospital	3,606	12%	47
9. Commercial	3,281	11%	43
Total	30,804	100%	400

Source: Kenya National Bureau Statistics of Kenya (2009)

3.5 Data collection Methods

A questionnaire with close ended questions was used when collecting data where multiple choice questions provide for respondents to fill in their choices. The questionnaires were issued to different locations within the municipality within a span of three months. These areas were majorly in general gathering and meetings of women, men and youth with assistance from friends in distribution and collection. Here the researcher introduced herself and the main reason for the assistance required from them, issue the questionnaires and then wait for collection.

Other questionnaires were issued to large organizations that employ many residents within the municipality where they were required to fill in the questionnaires on their own free time within a

specified day for collection in the evening. For the Market centres, the researcher randomly visited business people on market off days when congestion was minimal to have ample time with them. After collection of the questionnaires, they were separated based on how completely they had been filled up. The information for those that were completely filled was fed in the SPSS program for production of results.

The questionnaire had five sections: section one; on Demographic factors of Age and Gender, section two; gathered data on Financial Literacy Level, on the level of education, section three, section four; on socio economic factors occupation status and income level and finally the fifth section on Sources of financial information. The sections one, two, three, four and five covered data on the independent variables mentioned and the dependent variable, which is Financial Literacy Level, this data was then presented on the basis of the analysis and conclusions of the research.

3.6 Reliability

A pilot test was organized to measure the reliability of the questionnaire and the test model. Pre testing was done by administering the questionnaire to 50 respondents at Hand of God Cyber Café and Beauty Spa Barber & Salon at Makutano area in Meru. These were strategic positions where individuals both Male and Female, youth and old were likely to visit on daily basis to use Cyber services and have their hair done among access other facilities such as financial and non-financial institutions in Makutano area in Meru.

The questionnaire had been structured in a way that it would be easy for the respondents to answer in less time with minimum clarifications. The respondents were only allowed to answer the questionnaire within 15-20 minutes after which collection would be done. Answered questions were checked to find out if all the questions have been answered to meet the objective of the questionnaire.

The questionnaire was considered reliable when they gave consistent results, thus when pilot testing was done and the questionnaires given to a number of elements that were part of the population but not part of the sample studied then, they gave consistent results to that of the sample group.

Reliability contributes to the validity

3.7 Validity

This involves the content and the construct validity of the instrument to be used in this case the questionnaire. The content validity was tested on the framed questions of the questionnaire, while the construct validity was tested on whether the questions in the questionnaire that were used were relevant in achieving the objectives of the study. In order to ensure and enhance content validity, the questionnaires were composed of carefully constructed questions to avoid ambiguity and in order to facilitate answers to all to meet the objective of the study. The instrument was also presented to research experts such as my supervisors who would ascertain its face validity.

3.8 Data Analysis and Presentation

The data that was collected was summarized and categorized according to common themes, then analyzed using frequency distribution tables and measures of central tendencies such as mean since descriptive statistics were used to describe the general characteristics of the population. For further processing of the presentation of data results, the Statistical Package for Social Sciences (SPSS) version 20 was used. Regression analysis was used to establish the relationship between the independent variables and dependent variables. The research hypotheses were tested at 95% confidence level. The results of analysis were presented in tables. The following regression model was adopted.

$$Y = \beta_0 + X_1\beta_1 + X_2\beta_2 + X_3\beta_3 + X_4\beta_4 + \epsilon$$

Where:

- Y: Financial Literacy
- β_0 : Constant
- X₁: Level of Education
- X₂: Demographic factors
- X₃: Socioeconomic factors
- X₄: Sources of Financial information
- ϵ : Error term
- β_{1-4} : Regression Coefficients

β_0 = constant. It defines the value of Y if all independent variables have a value of Zero

$\beta_1, \beta_2, \dots, \beta_4$. = Regression Co-efficient. This defines the amount, by which Y is changed for every unit change of predictor variables.

Finally, the data was then presented in terms of tables and figures for summary purposes.

3.9 Ethical Considerations

Confidentiality was highly practiced on the data and information provided by the respondents during and after data collection. The primary data in the questionnaires was handled with caution to ensure confidentiality, as the information collected, was used only for academic purposes. Moreover, the respondents were not required to include their names in the questionnaires.

CHAPTER FOUR

RESULTS, ANALYSIS, AND PRESENTATION

4.1 Introduction

Chapter four involves a presentation, analysis of data collected and discussions on the findings based on the hypotheses tested. The presentation is in form of frequency tables and percentages. The variables of the study were measured using structured questions and Likert scale. The study done was based on specific objectives that formed the research hypotheses.

4.2 Reliability Statistics

According to Sakaran (2001), researchers test the goodness of data by testing the reliability and validity of the measure as a pre-requisite for data analysis. The Reliability of the data collected was measured using Cronbach's Alpha generated from SPSS (version 20). It is a function of the number of items in a test, the average covariance between item-pairs, and the variance of the total score. Based on the pilot study conducted prior to data collection, the instrument had a value of 0.8, which lies within the acceptable range of 0.7 to 1.0 and hence the instrument can be termed as reliable.

4.3 Response Rate

A total of 400 questionnaires were given to various individuals in Meru Municipality County, Meru Municipality locations but only 300 individuals were able to fully complete filling in all the questions in their questionnaire indicating a 75% response rate, while 23% non-response of those sampled. This is shown in Table 4.1, Compared to other responses rates for similar results by Chiocha (2009) of 47.14%, the 75% was found to be significant to carry out the analysis by the researcher.

Table 4. 1.*Analysis of Response*

	Male	Female	Total
Population	200	200	400
Completed questionnaires	167	133	300
Population Response rate	75%		

4.4 Sample Characteristics

This section presents the sample characteristics as shown in Table 4.2 of the respondents such as their age group, gender, occupation, level of educational, Income level, professional qualifications and sources of financial information. The findings are presented below using descriptive statistics such as frequencies and percentages.

Table 4. 2.*Sample characteristics*

Responses	Frequency(f)	Percent (%)
Gender		
Male	167	55.7
Female	133	44.3
Total	300	100
Age group		
18-30 years	35	11.7
30-45 years	179	59.7
46-60 years	71	23.7
61 and over years	15	5.0
Total	300	100
Professional Qualification		

Teacher	37	12.3
Accountant	24	8.0
Other	82	27.3
Banker	18	6.0
Farmer	139	46.3
Total	300	100
<hr/>		
Level of Education		
None	16	5.3
Primary	70	23.3
Secondary	134	44.7
College	64	21.3
University	16	5.3
Total	300	100
<hr/>		
Experience		
Less than 3 years	58	19.3
3-6 years	97	32.3
7-10 years	125	41.7
More than 10 years	20	6.7
Total	300	100
<hr/>		
Occupation Category		
Employed	86	28.7
Self Employed	143	47.7
Unemployed	71	23.7
Total	300	100
<hr/>		

Data in Table 4.2 shows that 55.7% of the respondents were male and 44.3% female. The study also reveals that most of the respondents were aged between 30 and 45 years. Professional Qualification comprised of Accountant (8.0%), Banker (6.0%), Farmer (46.3%), Teacher (12.3%), and Other (27.3%). The respondents' level of education comprised mainly of primary (23.3%),

secondary (44.7%), and college (21.3%). The findings also show that work experience was mainly concentrated between 3 years and 10 years. Their occupation was made up of employed (28.7%), self employed (47.7%), and unemployed (23.7%).

4.5 Variables of the Study

This section presents data of the various variables of the study in form of percentages and frequencies. It describes questions asked relating to the variables and shows the overall results.

4.5.1 Financial Literacy

The dependent variable of this study is the financial literacy level which was analyzed using questions 1, 2, 3, 5 and 6. See Table 4.3

Table 4. 3.

Financial Literacy

Responses	Frequency (f)	Percent (%)
Knowledge of Compound interest and simple interest		
Yes	152	50.7
No	148	49.3
Total	300	100
Those with insurance policies		
Yes	108	36
No	192	64
Total	300	100
Those that work with domestic budgets		
Yes	86	28.7
No	214	71.3
Total	300	100
Personal ratings on savings		
Very poor	70	23.3
Poor	90	30

Good	45	15
Better	80	26.7
Best	15	5
Total	300	100
<hr/>		
Riskiness to fraud and being misguided on investment decisions		
I don't know	30	10
Lowest	6	2
Low	90	30
High	24	8
Highest	150	50
Total	300	100
<hr/>		

From Table 4.3, it can be observed that; Knowledge of Compound interest and simple interest had 50.7% of the respondents, those with insurance policies were only 36%, those that work with budgets were only 28.7%. This means that the Financial Literacy Level is quite low since those that are financially illiterate are more from the data above.

From the above data, it was determined that 49.3% of the respondents do not have the idea of the compound and simple interest concepts, but they have had about interest. For those that had about both interests, 90% was learnt in schools and this was mostly for those that attended secondary school. Moreover, 64% do not have insurance policies, and 71.3 % do not use domestic budgets on spending. The trend is relatively the same when it comes to personal ratings on savings which is at 30% as poor saving habits and riskiness to fraud and being misguided on investment decisions being at 50%. This is a worrying trend which the government together with concerned parties should take into consideration.

4.5.2 Level of Education

From the Table 4.4, The highest level of education attained was secondary level with 44.7%, primary had 23.3%, undergraduate with 21.3%, graduates with 5.3% and those that attended no school are with 5.3% as shown in the figure below. The questions used here were 4, 8 and 10

Table 4. 4.

Education Level

Responses	Frequency(f)	Percent (%)
The organization that should provide Financial information		
Financial Institutions	128	42.7
Government	165	55
NGOs	7	2.3
Total	300	100
Responsibility to the youth on financial matters		
The government	150	50
Schools	75	25
Their parents	60	20
Their personal experience	15	5
Total	300	100
Level of Education attained		
None	16	5.3
Primary	70	23.3
Secondary	134	44.7
College	64	21.3
University	16	5.3
Total	300	100

Table 4.4 shows that, from the data collected, most respondents expect the government to provide information and data on financial matters and be responsible to ensure that the citizens benefit with this information, especially the youth. With 50% suggesting that the government was responsible for equipping its citizens with the necessary skills and knowledge to enhance economic development.

4.5.3 Demographic factors

4.5.3.1 Age

From Table 4.5, a total of 300 respondents, 11.7% were 18-30 years, 59.7% were 30-45 years, 23.7% were 46-60 years and 5% were 61 and over years. The question used here was 12

Table 4. 5.

Age Distribution

Responses	Frequency(f)	Percent (%)
Age group		
Below 30years	35	11.7
30-45years	179	59.7
46-60years	71	23.7
61 and over years	15	5
Total	300	100

From Table 4.5 it is clear that Majority of the respondents were 30-45 years of age thus 59.7% of the respondents, This is an active stage where many are preparing for future by investing in their own businesses, most are thinking of investing for retirement purposes. The test depicted that the financial literacy level of respondents aged between 59.7% aged between 30-45 years with only 5% for those above 61 years was literate

4.5.3.2 Gender

Table 4.6 shows that From the respondents that were randomly selected for sampling purposes 55.7% of the respondents were males while 44.3% were female. The question used here was 13

Table 4. 6.

Gender Distribution

Responses	Frequency(f)	Percent (%)
Gender		
Male	167	55.7
Female	133	44.3
Total	300	100

The findings in Table 4.6 show that 55.7% of the respondents reached in the study were male, while 44.3% were female.

4.5.4 Socio Economic Factors

4.5.4.1 Income Level

Income level as shown in Table 4.8 had 13.7% as high-income earners with above 80,000, 46.0% as medium-income earners with 30,000-79,000 and 40.3% as low-income earners with 29,000 and below per month. The question used here was 18

Table 4. 7.

Income Level

Responses	Frequency(f)	Percent (%)
Income Level		
Low income(below 29,000)	121	40.3
Medium(30,000-79,000)	138	46.0
High income(Above 80,000)	41	13.7
Total	300	100
Prioritize income spend		
On Family	213	71
You and friends	8	2.7
Saving & investing	44	14.7
All of them	35	11.7
Total	300	100

Table 4.7 indicates that, On the prioritized income spending that takes the biggest portion, there was spending on family with the highest 71%, this was mostly from the young category of 18-30 and 30-45 years, while the 14% of investing was majorly from the old group category of 46 years and above.

4.5.4.2 Occupation

Occupation category as shown in Table 4.8, had 28.7% as employed, 47.7% as self-employed and 23.7% unemployed from the data collected from the respondents during the study. The question used here, 14 and 16

Table 4. 8

Occupation

Responses	Frequency(f)	Percent (%)
Occupation category		
Employed	86	28.7
Self-employed	143	47.7
Unemployed	71	23.7
Total	300	100
Source of Income		
Family	130	43.3
Employment	94	31.3
Sponsorship	9	3.0
Loans	67	22.3
Total	300	100

Table 4.8 shows that 60% of those employed were in private sectors, 20% in public sector and 20% in financial institutions. For the self-employed, 90% were farmers both dairy and cash crop farmers majority of whom are small scale farmers.

For the source of income, 43.3% was from family-run businesses especially farming, for those that had loans 22.3% majority were students and were unemployed, while those that sourced their income from employment was 31.3% of the total respondents in the study.

4.5.5 Sources of Financial Information

From the study, Table 4.9 shows that, 12.7% of respondents preferred financial information from peers most of whom are of the same age bracket, 13.7% were more confident with financial information from family members, especially the most experienced family members were seen as the main source of advice on financial matters, 65.7% preferred financial information from financial institutions and 8.7% preferred the media as they were more confident of what is advertised as it seemed more legitimate to them.

Table 4. 9

Sources of Finance

Responses	Frequency(f)	Percent (%)
Source of Information		
Peers	38	12.7
Family	41	13.7
Financial Institutions	195	65.
Media	26	8.7
Total	300	100
Financial experts advice		
Never	35	11.7
Sometimes	86	28.7
Always	179	59.7
Total	300	100

Table 4.9 shows that, for trust placed on financial experts' advice, 11.7% of respondents did not consider getting financial information from financial experts, as they depend on their peers and experience. 28.7% were practicing consultation with the financial experts, while 59.7 % depended solemnly on the financial information provided by experts, this comprised mainly of those that go to financial institutions to seek financial information and see that the financial institutions are responsible to provide adequate information on finance.

4.6 Coding of Responses for the Variables

Data collected in the questionnaires were entered in the SPSS(version 20)as the following values; '18-30 years=1', '30-45 years=2', '46-60 years=3', '61 and above years=4, before the data collected was analyzed. For the purposes of analysis, dichotomous outcomes like 'Yes='1' and No='0', while for scale questions '18-30 years' and '30-45 years' were coded 1 whereas '46-60 years' and '61 and above years' were coded 2 for 'young' and 'old' respectively. For point scale question, the question was coded 1 for half positive extreme categories and 2 for half negative extreme categories.

4.7 Reggression Analysis

Multiple regression analysis was done to establish the relationship between the independent and dependent variables and the results are presented in this section. The variables under investigation included level of education, demographic factors, socioeconomic factors and sources of financial information (Independent variables) and financial literacy (dependent variable). The research hypothesis were as follows.

4.7.1 Model Summary

This section presents the multiple regression results with the aim of establishing the relationship between the independent variables and dependent variables.

Table 4. 10.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.412 ^a	.170	.159	.59783

a. Predictors: (Constant), Sources of Financial information , Demographic factors , Level of Education, Socioeconomic factors

The R Square value in the Model Summary table shows the amount of variance in the dependent variable that can be explained by the independent variables. The independent variables (Sources of Financial information , Demographic factors , Level of Education, Socioeconomic factors) accounted for 17.0 per cent of the variability in financial literacy. The R-value (0.412) is the multiple correlation coefficients between all the entered independent variables and the dependent variable. The Adjusted R Square 0.159 adjusts for a bias as the number of variables increases. The Std. Error of the Estimate is a measure of the accuracy of the prediction.

4.7.2 Analysis of Variances (ANOVA)

The findings in respect to the analysis of variances (ANOVA) are as provided in Table 4.16.

Table 4. 11.

Analysis of Variances (ANOVA)

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	21.566	4	5.392	15.085	.000 ^b
Residual	105.435	295	.357		
Total	127.001	299			

a. Dependent Variable: Financial Literacy

b. Predictors: (Constant), Sources of Financial information, Demographic factors , Level of Education, Socioeconomic factors

In the study, the predictors are significant when Sig. (p value) $p < 0.05$. The findings in Table 4.11 show that p value was 0.000. Since the p values are less than 0.05 (confidence level), it is concluded

that the effect of the independent variables is significant. As $p < 0.05$ our predictors are significantly better than would be expected by chance. The regression line predicted by independent variables explains a significant amount of the variance in financial literacy. This is reported as follows: $F(4, 295) = 15.085$; $p < .05$, and therefore can conclude that the regression is statistically significant.

4.7.3 Regression Coefficients

The Beta Coefficients with respect to the SACCOs are presented in Table 4.12.

Table 4. 12.

Beta Coefficients and Model for the SACCOs

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.594	.231		6.912	.000
Level of Education	.240	.033	.384	7.212	.000
Demographic factors	.217	.078	.148	2.781	.006
Socioeconomic factors	.080	.071	.060	1.125	.261
Sources of Financial information	.074	.043	.091	1.705	.089

a. Dependent Variable: Financial Literacy

The following regression model was used

$$Y = \beta_0 + X_1\beta_1 + X_2\beta_2 + X_3\beta_3 + X_4\beta_4 + \epsilon, \text{ hence}$$

$$FL = 0.240 + 0.217 + 0.080 + 0.074 + 0.231$$

From the findings it emerges that the most influential predictor of financial literacy was level of education (Beta = 0.384). This was followed by demographic factors (Beta = 0.148). The rest of the factors in the order of their beta value were as follows: socioeconomic factors (Beta = 0.060) and

sources of financial information (Beta = 0.091). From the findings, the best two predictors of financial literacy in Meru County were level of education and demographic factors.

4.7.4 Test of Hypothesis

Using coefficients outputs for determinants of financial literacy Level in Meru Municipality, in Meru County in Table 4.12 the study hypothesis were tested. The decision rule was when $p < 0.05$, you reject the null hypothesis and when $p > 0.05$, then you accept the null hypothesis.

The first hypothesis stated that “ H_{01} : Level of education has no significant relationship in the financial literacy level in Meru Municipality, in Meru County.” Since the p value associated with level of education was 0.000 ($p < 0.05$), the null hypothesis is rejected and concludes that level of education has an significant effect on financial literacy level in Meru Municipality. The decision rule was to reject the null hypothesis if p value calculated is less than the confidence level $p = 0.05$. The regression analysis reveals level of education was a major determinant of determinants of financial literacy level in Meru Municipality, in Meru County.

The findings above correlate to the study done by Seth et al. (2012), who defined financial education as a process of gaining financial literacy through formal that is educational institutions or informal such as seminars setting to provide them with familiarity on financial knowledge, investment securities, risks and opportunities so that they can make clear informative choices in their investments..

Furthermore, Holzmann (2010) stated that financial education is one solution to improvement of financial literacy in the world as countries opt to establish a national financial strategy. In addition, Almenberg and Säve-Söderbergh (2011) found out that financial education had been considered as the main determinant of Financial Literacy Level such that persons with lower levels of education thus, elementary stage- primary level are deemed to have lower financial literacy levels in

comparison to the degree holders and graduates. However, emphasis is placed on the type of subjects and courses learned. However, According to Hanti (2011) financial education is not sufficient for providing adequate information and developing skills, since the attitudes acquired in the family have a greater impact on the future financial behavior of individuals especially the young people, for instance, the propensity to save and take risks, than the knowledge acquired in formal schooling.

The second hypothesis stated that “H₀₂: Demographic factors have no significant relationship with financial literacy level in Meru Municipality, in Meru County.” Since the p value associated with Demographic factors was 0.006 ($p < 0.05$), the null hypothesis is rejected and concludes that Demographic factors has an significant effect on financial literacy level in Meru Municipality. This is because, the decision rule was to reject the null hypothesis if p value calculated is less than the confidence level $p = 0.05$. The regression analysis reveals demographic factors was a major determinant of determinants of financial literacy level in Meru Municipality, in Meru County. Age is regarded to be the length of time that a person lives or a thing exists for (Cambridge English dictionary).

According to Almenberg (2011), financial literacy among the 35-50 years old group was higher when compared to the 65-year-old group in Sweden. Finke et al. (2011) in their research, likewise explained that older ages were associated with lower financial literacy levels all over the world. This was due to cognitive processes said to be declining at a very fast rate at old age, hence affecting the ability to recall important details including finance. Researchers have found out that Age has a significant effect on the level of financial knowledge the student’s financial knowledge, which develops over time as they grow older. This seems to be evident, just as in other areas and aspects of life, where the researcher gains more knowledge in finances in the course of our lives. In addition, as they grow older, young adults more frequently find themselves in situations such as taking out a loan and buying a real property that helps expand their financial knowledge. Xu and Ziaa (2012)

identified the relationship between financial literacy and age to be at its peak (high financial literacy levels) at 40 years in India and 45 years in Indonesia.

Almenberg and Save-Soderbergh (2011) found out that majority of women in Sweden have lower financial literacy levels compared to the men because all financial decisions in the house are made by the men. According to Ford and Kent (2010), there is difference between men and women financial literacy levels. As a result of the fact that; women seem to have no interest at all in financial matters in the financial markets, they feel intimidated by the complexity of financial markets hence, have little or no awareness financial markets information.

The third hypothesis stated that “H₀₃: Socioeconomic factors have no significant relationship with financial literacy level in Meru Municipality, in Meru County”. Since the p value associated with socioeconomic factors was 0.261 ($p > 0.05$), we accept the null hypothesis and conclude that socioeconomic factors does a significant relationship with financial literacy level in Meru Municipality. This is informed by the fact that the decision rule was to reject the null hypothesis if p value calculated is less than the confidence level $p = 0.05$. This shows that socioeconomic factors was a weak predictor of financial literacy level. This factor had a positive effect on the financial literacy level.

Monticone (2010) found out that the most financial literate group in Italy were in the white-collar group then, self-employed group and his most illiterate group persons working in blue-collar jobs, unemployed, those working in health and tourism sectors. Similarly, Al-Tamimi and Bin Kalli (2009) found out that persons who worked in financial institutions, displayed higher levels of financial knowledge than those in other occupations fields. Traut-Mattausch& Jonas (2011) identified that the relationship between financial literacy levels and income levels influenced their savings, which had a positive association with the saving behavior. Several studies suggest that wealth levels have a significant impact on the level of financial literacy. That, the acquisition of

financial knowledge could be motivated by the need to manage their own, hence empirical findings showed that financial literacy increases with the level of wealth.

The fourth hypothesis stated that “H₀₄: Sources of Financial information have no significant relationship with financial literacy level in Meru Municipality, in Meru County”. Since the p value associated with quality of product was 0.089 ($p > 0.05$), we accept the null hypothesis and conclude that sources of financial information does a significant relationship with financial literacy level in Meru Municipality. This is informed by the fact that the decision rule was to reject the null hypothesis if p value calculated is greater than the confidence level $p = 0.05$. This shows that socioeconomic factors was a weak predictor of financial literacy level. This factor had a positive effect on the financial literacy level. The findings of the relationship between Sources of Financial information and literacy are similar to other studies that identified a higher percentage of individuals with lower financial literacy tend to rely on informal tools. That is, their family, friends, colleagues and acquaintances for financial advice. This is as studied by van Rooij et al. (2007) on financial literacy and stock market participation.

4.8 Summary of the Chapter

From the analysis done above on the hypotheses, it is evident that two independent variables thus level of education and age had a fairly significant association with financial literacy. There was no evidence to support any significant association of gender, income level and sources of information with financial literacy. Level of education had the most significance, followed by age, then sources of financial information, followed by gender, then occupation category and the least is income level as in order of significance with financial literacy. This strongly supports the transformative learning theory, which is the main theory in which this study has been based on. It elaborates more on comprehensive and complex description of how learners validate and reformulate the meaning of

their experience, where revision and interpretation of meaning are through a perspective transformation process.

Learners tend to change their meaning schemes (beliefs, attitudes, and emotional reactions) when they engage in a critical reflection on their experiences, which in turn leads to a perspective transformation which then results to Self-examination. Moreover, Relating discontent to others, Explaining options of new behavior, Building confidence in new ways, Planning a course of action, Knowledge to implement plans and Experimenting with new roles. The theory suggests that learning that lasts should be provided to the youth by integrating learning, development, and performance in schools as this would be reflected in age, occupation and even source of financial information.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Chapter five presents the analysis of data collected from the research findings in the study questionnaire. The findings were analyzed and presented in the forms of frequency tables, numerical values, and percentages. The responses are presented and followed with a brief interpretation guided by the research objectives and a discussion on the research findings from the data analyzed. It would provide a summary of the study, discuss and make recommendations on each objective and possible further research.

This research examined and analyzed data collected to identify the determinants of financial literacy in North Imenti, in Meru County. The determinants studied were; Level of education, Demographic characteristics of gender and age, Socio-economic factors Occupation category and income level and finally sources of financial information. All the primary data collected for data analysis was based on the responses of respondents in the questionnaires provided during the research, hence reflects their opinion.

5.2 Summary of Findings

In this section, the summary of the findings were stated as they aided in making a more generalized conclusion and recommendations on the determinants of financial literacy Level in Meru Municipality, in Meru County.

5.2.1 Level of Education

This study postulated that the level of education had a positive and significant relationship with financial literacy level being rated as first.

5.2.2 Age

In this study, there is no perfect significant evidence on the relationship between age and financial literacy Level but it is rated second among the other factors discussed and studied hence, the results agree with the findings from the other researchers above.

5.2.3 Gender

Gender did not have a great significant association with financial literacy as gender was rated fourth among the variables studied. There seems to be a balance between the financial literacy of man and women, this could be attributable to the fact that both women and men are now being subjected and exposed to equality measures of education, sources of financial information and even being involved in budgeting of domestic spending.

5.2.4 Occupation

In this study, the occupation category was studied in terms of employed, unemployed and the self-employed. For purposes of analysis, self-employed and employed were coded the same to differentiate them from the unemployed. Majority of those unemployed were students hence their level of financial literacy was considerably high. The analysis indicates that occupation category does not have a great significance association with financial literacy as occupation category was rated fifth among the variables studied. There seems to be a balance between the financial literacy of the occupation categories studied, this could be attributable to the fact that financial information is today readily available in the media, training provides by financial institutions and even the government.

5.2.5 Income Level

In this study, the relationship between Income level and financial literacy level was rated last. It had the least significant association with financial literacy.

5.2.5 Sources of financial information

The study showed that this was fairly significant as the variable was rated third among those that have significant association with financial literacy. Therefore, the evidence if not perfect but is leaning towards the previous studies with is good as it would help in providing conclusion that indeed sources of information influence financial literacy to a certain extent. This is because, it is not obviously true that those individuals with lower financial literacy rely on informal tools, because one may rely on the informal tools from their family members who are well educated, experienced and have access to beneficial sources of financial information that can be used to help the other family members.

5.3 Conclusions

Generally, in terms of financial information from education, the government, financial institutions and other stakeholders such as parents have been trying to instill financial education to the youth and other citizens to promote financial literacy in Kenya. However, the method of implementation or teaching is a set back to the achieving the maximum financial literacy levels goals aimed at equipping the individuals to make informed choices of the dynamic financial products being catalyzed by globalization today. It can be concluded that Financial education can be taught in all sectors and sections of the country in training, seminars and all academic levels, however, the method of learning the new skills is crucial.

5.4 Recommendations

On the basis of the findings in this study, recommendations have been proposed to elevate and improve Financial Literacy Level in Meru Municipality, in Meru County. It is recommended that Transformative learning should be taught in schools to explore educational theory, practice, research and demonstrate how learning frameworks guide and assist in shaping the curricula and teaching

strategies which enable the students to cultivate vital integrative and expansive learning capabilities throughout their lifetimes.

The current digital literacy program initiated by the government would play a vital role if adopted by all children in Meru Municipality, in Meru County. This is due to the fact that information technology skills would be cultivated into our children at a younger age and they would be able to integrate these skills and transforming them as they develop throughout their lives.

Learning that lasts should be emphasized in the implementation process. The meaning and implications of learning that lasts at each level of educational practice, from the collaborative work of faculty and staff to the level of collegiate culture as a whole, are explored. Therefore, the county government in conjunction with the government should audit the current teaching methods and policies and improve them to make them more effective.

Money management programs should be financed and advocated to enhance public participation and promote money management habits such as savings and budgeting prior to spending. In addition, retirement schemes should be funded by the county government to provide insightful benefits of savings for purposes of retirement. Furthermore, the public should be reminded more frequently and made aware of risks exposure dangers and the importance of insuring against them.

5.5 Areas for further research

Further studies can be done to cover the limitations of Scope and Research design method used as this study's findings were limited and based on Meru Municipality, hence may not be applicable to other regions. Much information and knowledge could be gained from further research on similar studies especially on Occupation and Income levels, to provide more information as to why the two variables had very low significance in this study.

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APPENDIXES

Appendix I: Introduction Letter

Njehia Milcah Wanjiru

Kenya Methodist University

P.o Box 267- 60200

Meru, Kenya.

RE: PERMISSION TO COLLECT DATA

Dear Respondent,

I am a student of Kenya Methodist University undertaking research for the completion of my Masters degree in Business Administration in Finance. I am undertaking a research on the “Determinants of Financial Literacy Level in North Imenti Sub-county, in Meru County”. I kindly request you to fill in the required attachment questionnaire as honest as possible. Note that, any information provided would be used purely for academic purposes and would be kept confidential.

Your participation would be crucial for the study, kindly tick or give short answers where appropriate, I would appreciate you attempting to answer all the questions.

Thank you for your consideration and assistance.

Yours' Sincerely,

Njehia Milcah Wanjiru

Appendix II: Questionnaire

This questionnaire has been designed to collect data that would aid in the clear understanding of the determinants of financial literacy level in Meru Municipality, in Meru County.

Kindly tick or fill the blank space where appropriate as you attempt to answer all the questions honestly. For confidentiality, purposes please do not write your name on the questionnaire.

Section One: Demographic Factors; Age and Gender

1. Which age bracket do you belong to?

18-30years 30-45years 46-60years 61 and over years

2. What is your gender? Male Female

Section Two: Financial Literacy Level

3. Have you ever had of the term Compound interest and simple interest?

Yes No

4. Are you insured with any insurance institution? Why (briefly explain)

Yes No

5. Do you prepare domestic budgets? Why (briefly explain)

Yes No

6. From your point of view, whom do you think should teach the youth on financial matters?

The government Schools Their parents Their personal experience

7. How well can you rate yourself on savings?

The Best Better Good Poor Very poor

8. How would you rate your riskiness to fraud and being misguided on financial decisions?

Higher High Low Lowest I don't know

9. Do you think there is adequate financial literacy resources and materials in your area?

Too much Enough Too little None

10. Which organization do you think should provide information on financial literacy?

Financial institutions Government NGOs Schools

Section Three: Level of Education

11. Which language do you prefer for provided Financial information?

English Kiswahili Vernacular

12. Which level of education have you attained?

Primary Secondary College University None

13. Type of professional qualification

Teacher Accountant Secretary Banker Farmer

Section Four: Socio economic Factors; Occupation

14. Which occupation category do you fit in?

Employed Self employed Unemployed

If employed, which organization?

Private sector Public sector Financial institution Others(specify)

15. How long have you been working?

Less than 3years 3-6years 7-10years more than 10 years

Income level

16. How do you spend the biggest portion of your income?

On family Yourself and friends Saving and Investing All of them

17. Which level would you classify yourself?

High income earner(above 80,000p.m) Medium income earner(30,000-79,000)

Low income earner(29000 and below)

Section Five: Sources of Financial Information or Advice

18. Which source of financial information do you prefer?

Peers Family Financial institutions Media

19. Do you trust the information provide by financial experts?(briefly explain why)

Always Sometimes Never

Thank You for Your Consideration!