



Effects of Financial Literacy on Personal Financial Decisions among Egerton University Employees, Nakuru County, Kenya

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Abstract: The current financial service market is complex and offers consumers a vast array of products and services to meet their financial needs. The degree of choice requires that consumers be equipped with the financial knowledge and skills to evaluate the options available in the market. Studies on the effects of financial on personal financial decisions indicate contradicting results. This study was carried out to establish the effect of financial literacy on personal financial decisions among Egerton University employees. The study was guided by the general objective of examining the effects of financial literacy on personal financial decisions. Specifically: to determine the effect of financial knowledge on personal financial decisions, to determine the effect of financial skills on personal financial decisions and to determine the effect of financial attitude on personal financial decisions. The study adopted the descriptive survey research design. The population of the study consisted of all Egerton University employees consisting of top management, middle level staff who include technical, administrative and teaching staff and lower level staff. A sample of 320 respondents was determined using sample determination table. The target sample size determined was drawn proportionately from each management level. A random sample from each stratum was taken in a number proportional to the stratum's size when compared to the population. Primary data was collected through structured questionnaires. Data validity and reliability was checked by pilot testing and by use of Cronbach Alpha (0.876). Data was analyzed using descriptive statistics, Pearson correlation and multiple regression analysis with the help of Statistical package for Social Sciences (SPSS). Findings revealed that financial knowledge and financial skills were significant in determining personal financial decisions while financial attitudes did not influence significantly personal financial decisions. Overall the effect of financial literacy was found to have a positive statistically significant relationship with personal financial decisions. The study recommendations include: Financial education on financial products available in the market especially on mortgage, stocks and shares and investment accounts; provision of financial education programs to employees to enhance their financial skills and concerted efforts to inculcate appropriate attitude to translate acquired financial skills into practice and decisions-making among the employees.

Keywords: Financial Literacy, Personal Financial Decisions, Nakuru County

1. Introduction

The global marketplace has become increasingly risky and unpredictable. It affects the nations and the societies and its main implications include rising costs of goods and services that push people to make well-informed financial decisions [8]. Study by [12] defines financial literacy as a measure of

the degree to which one understands key financial concepts and possesses the ability and confidence to manage personal finances through appropriate, short-term decision-making and sound, long-range financial planning, while mindful of life events and changing economic conditions. Financial literacy has immeasurable significance to both individuals and institutions according to [9]. For example, they assert

that financially literate consumers make better clients, who in turn represent reduced risk for financial institutions and contribute to a stronger bottom line. And on the market level informed consumers play a developmental and monitoring role in the market by weeding out bad practices and providers.

In Kenya, the FinAccess 2013 survey results revealed that the levels of financial literacy are low despite the concerted efforts to raise literacy levels by the government and other stakeholders. The Kenyan government while admitting the seriousness of this problem said “education and training in Kenya today is facing various challenges that have negatively impacted on its economic development. Unless addressed immediately, these challenges are likely to affect unfavorably the current and future development in Kenya” [4]. With the entry of new providers and ever-more complex financial products and services, with the inclusion of new consumers to financial markets individuals must make appropriate decisions. These factors, together with a likely contraction of international capital flows, increase the importance of financial literacy for consumers in developing countries like Kenya.

1.1. Statement of the Problem

Today’s complex financial service markets offer consumers a vast array of products and services to meet their financial needs. The degree of choice requires that consumers be equipped with the financial knowledge and skills to evaluate the options and identify those that best suit their needs and circumstances. [1] argued that having financial literacy skills enables individuals make informed decisions about their money and minimizes the chances of financial mismanagement. However, a study by [17] on the effect of financial literacy on personal financial management practices observes one can still practice financial management behaviors whether or not they are financially literate. The findings from the two studies are contradicting hence the effects of financial literacy on personal financial decisions cannot be conclusively determined. Moreover, from Egerton University Human Resource Department, it is estimated that

50% of the employees do not earn a third of their basic pay as per the government policy. Further data from the Egerton University Sacco, where most Egerton University employees are members show that 10 percent of the employees have defaulted on their loan repayments. The default rate as well as employees not able to meet the one third on basic pay indicates that Egerton university employees could probably have a financial management problem. The reasons of the probable financial decisions problems could be as a result of the effects of financial literacy or not. It is for this reason that the study purposes to examine the effect of financial literacy on personal financial decisions among employees of Egerton University as an institution of higher learning.

1.2. Research Objectives

- i. To determine the effect of financial knowledge on personal financial decisions among the employees of Egerton University.
- ii. To determine the effect of financial skills on personal financial decisions among the employees of Egerton University.
- iii. To determine the effect of financial attitude on personal financial decisions among the employees of Egerton University.
- iv. To determine the effect of financial literacy on personal financial decisions among the employees of Egerton University.

1.3. Research Hypotheses

$H0_1$: Financial knowledge has no effect on personal financial decisions among the employees of Egerton University.

$H0_2$: Financial skills have no effect on personal financial decisions among the employees of Egerton University.

$H0_3$: Financial attitudes have no effect on personal financial decisions among the employees of Egerton University.

$H0_4$: Financial literacy has no effect on personal financial decisions among the employees of Egerton University.

1.4. Conceptual Framework

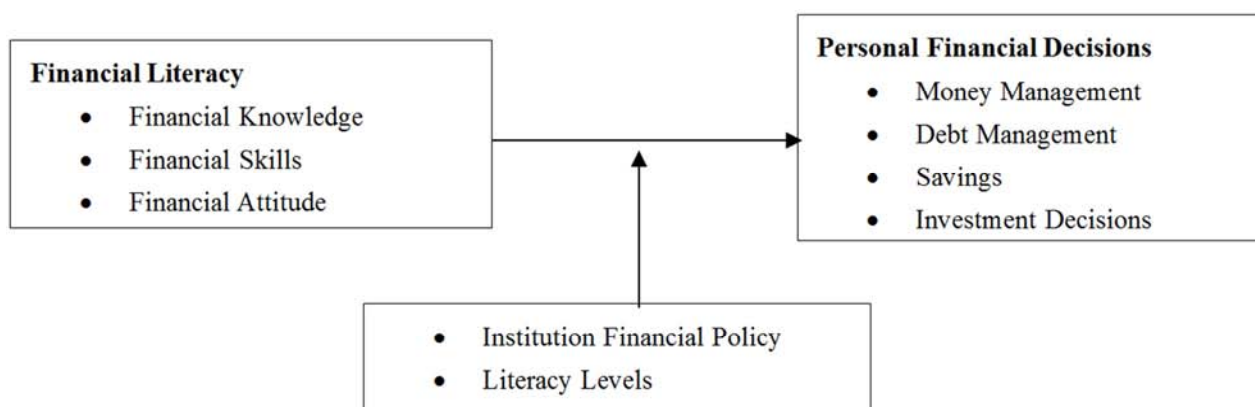


Figure 1. Conceptual Framework.

2. Literature Review

2.1. Financial Literacy Theory

According to [15] framework financial knowledge as a form of investment in human capital, and many empirical surveys established that people need to know much more to become informed. The authors show how financial literacy shapes economic outcomes. Financial literacy theory argues that the behavior of people with a high level of financial literacy might depend on the prevalence of the two thinking styles according to dual-process theories: intuition and cognition. Dual-process theories [3] embrace the idea that decisions can be driven by both intuitive and cognitive processes. Although dual-process theories come in many different forms, they all agree on distinguishing two main processing mechanisms or systems. The first system is characterized as fast, non-conscious, and tied to intuition while the second system as slow, controlled, and conscious. The second system is responsible for analytical and rational thinking [7] which is needed to consistently implement a financially literate investment strategy.

Financial literacy remains an interesting issue in both developed and developing economies, and has elicited much interest in the recent past with the rapid change in the finance landscape. According to [11], financial literacy is the combination of investors understanding of financial products and concepts and their ability and confidence to appreciate financial risks and opportunities, to make informed choices, to know where to go for assistance, and to take other effective actions to improve their financial well-being. Financial literacy helps in empowering and educating investors so that they are knowledgeable about finance in a way that is relevant to their business and enables them to use this knowledge to evaluate products and make informed decisions. It is widely expected that greater financial knowledge would help overcome recent difficulties in advanced credit markets [9].

Financial literacy prepares investors for tough financial times, through strategies that mitigate risk such as accumulating savings, diversifying assets, and purchasing insurance. Financial literacy facilitates the decision making processes such as payment of bills on time, proper debt management which improves the credit worthiness of potential borrowers to support livelihoods, economic growth, sound financial systems, and poverty reduction. It also provides greater control of one's financial future, more effective use of financial products and services, and reduced vulnerability to overzealous retailers or fraudulent schemes. Facing an educated lot, financial regulators are forced to improve the efficiency and quality of financial services [8]. According to [12], investors should try to be disciplined and maintain their investment strategy. Taking these concepts into account, financially literate investors are more likely to deviate from their investment strategy if they rely on their intuition. Still, there is also evidence for the superiority of unconscious decision-making.

2.2. The Life Cycle Model

The point of departure of the life cycle model is the hypothesis that consumption and saving decisions of households at each point of time reflect a more or less conscious attempt at achieving the preferred distribution of consumption over the life cycle, subject to the constraint imposed by the resources accruing to the household over its lifetime. In theory, as long as people are earning more than is required to meet basic needs, they may choose to transfer funds from periods of high income to periods of low income. This so called smoothing of lifetime income is probably the most commonly understood reason for saving for retirement during employment. It is based on the idea that it is easier to save when there is more money from which a contribution may be put aside. This idea is important because there is a less than perfect correlation between people's expenditure and their income. At both ends of the adult life cycle, comparatively low incomes are topped up through borrowing in younger years, and by drawing on savings, pensions and investments in retirement.

The life cycle model is built on several assumptions about human behavior. The lifecycle model hypothesizes that individuals are forward looking in choosing how much of the resources that they receive and consume in each period over their lifetime. This brief statement incorporates four powerful assumptions about people: they are forward looking across the span of their lifetimes; they can predict the financial resources they have over their lifetime (i.e. lifetime income); they understand something about the financial resources they need in successive periods of their lives; they make informed choices about the use of their financial resource. The simplest life cycle consumption theory posits that consumers save so as to transfer resources life stages where the marginal utility of consumption is highest.

Given concavity of the utility function, consumers seek to transfer resources from periods of their lives where they earn substantial income, to periods where they earn less. These income paths are estimated separately for workers prior to age 65 and retirees age 65+; education groups refer to household heads having completed less than a high school education, high school graduates, and those with at least some college education. The proponents of this theory believe that employees are likely to make financial decisions based on the stage of life in which they are currently in.

2.3. Financial Literacy

Financial literacy is a relative and not an absolute concept. It is possible to define only the basic level of financial literacy required by everyone in a given society. Study by [12] defined financial literacy as the ability to make informed judgments and to take effective decisions regarding the use and management of money. Roy Morgan Research of 2003 agreed that financial literacy was about people being informed and confident decision makers in all aspects of their

budgeting, spending and saving [6]. However, those measures of financial literacy should reflect individual circumstances and be tested against an individual's needs and circumstances rather than against the entire array of financial products and services some of which they may neither use nor need.

Financial literacy can be defined as the ways in which people manage their money in terms of insuring, investing, saving and budgeting [12]. According to [11] financial literacy can be conceptualized as understanding personal finance knowledge and using it. Hence, it could be described as measuring how well an individual can understand and use personal finance-related information. Report by [10] states that financial literacy helps consumers in being prepared for difficult times by determining risk mitigation strategies, and in using financial products effectively, most importantly in making plausible decisions. In other words becoming financially literate refers to possessing knowledge and skills in order to handle money well.

In order to enhance comparability and consistency across the evidence base, core concepts must be clearly defined. Different researchers and organizations have tried to understand the term financial literacy in many different ways. Although these definitions vary in scope, they have agreed in the characteristics of financial literacy as an ability, knowledge and competency in making financial decisions. It is important to note henceforth that before one can be said to be financially literate, it is assumed that the person has the intellectual framework for understanding, finding, evaluating and using information relating to finances, financial products, risks and any other information related to his financial well-being to make sound financial decision with limited risks [13].

Based upon a review of research studies, the many conceptual definitions of financial literacy fall into three categories; knowledge of financial concepts, aptitude and skill in managing personal finances and confidence and attitude in planning effectively for future financial needs.

Report by [2] defines financial literacy as the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being and financial education as the process by which people improve their understanding of financial products, services and concepts, so that they are empowered to make informed choices, avoid pitfalls, know where to go for help and take other actions to improve their present and long-term financial well-being. Report by [3] defines financial literacy as the ability to evaluate the new and complex financial instruments and make informed judgments in both choice of instruments and extent of use that would be in their own best long-run interests. Study by [12] defines financial literacy as knowledge of basic financial concepts, such as the working of interest compounding, the difference between nominal and real values, and the basics of risk diversification. A financially literate population is able to make informed decisions and take appropriate actions on matters affecting their financial wealth and well-being. All these definitions

agree in one thing; that financial literacy is an ability or knowledge to make sound financial decision or judgment regarding a financial issue.

Many conceptual definitions of financial literacy include some mention of an ability or aptitude for managing personal finances. Report by [2] defines financial literacy as the ability to keep track of cash resources and payment obligations, knowledge of how to open an account for saving and how to apply for a loan, basic understanding of health and life insurance, ability to compare competing offers, and plan for future financial needs. According to [16] analysis of individuals needs are considered financially literate if they are competent and can demonstrate they have used knowledge they have learned in making financial decision. As people become more experienced in financial matters they increasingly become financially sophisticated and it is predicted that individual become more financially competent. Financial literacy requirements change over the life time of an individual in response to the changing financial needs and are therefore important in the personal decision making due to the unique nature of the financial products supplied; which could be complex, long-term and have wide social coverage [9]. In this study, this argument will be significant in studying the target respondents' financial literacy with regard to the financial decisions they make.

Study by [14] focuses on debt literacy, a component of financial literacy and defines debt literacy as the ability to make simple decisions regarding debt contracts in particular how to apply basic knowledge about interest compounding measured in the context of everyday financial choices. These are the parameters that will be used to gauge the financial literacy of the population under study. The key issue will be whether the respondents are able to utilize these gauges to make informed financial decisions.

2.4. Personal Financial Decisions

Financial decision making is the thought process of selecting a logical financial choice from the available options. Financial decisions are greatly influenced by a constant battle between the generating of goods and services in the marketplace and a person's limited reserves to acquire such goods and services [9]. Amidst current evolutions in financial markets, it's now becoming increasingly necessary for consumers to be more knowledgeable and competent in administering their finances. This is because changes in financial markets have resulted in the availability of a wider selection of financial products and services, making financial decisions multifaceted and more complicated.

Individuals must therefore make day to day money management decisions to enable better planning and management of life events such as food, education, illness, housing purchase or retirement. The knowledge and skills related to money management include the ability to balance a checkbook, prepare a budget and compare prices of different products [4]. Easier access to credit cards, deregulation of financial markets and technological improvements in the way financial services are distributed have undoubtedly left many

consumers with more available income to spend [11].

Saving decisions refer to decisions to defer consumption of income earned today. The life-cycle saving theory [16] posits that individuals will follow a hump-shaped saving pattern over their lifetime. During high earning periods of employment, individuals will save increasing amounts and smooth out expenditure. During low income levels for example later on in their retirement year's people will use up their savings to fund their lifetime spending needs. At the macroeconomic level, individual saving benefits the entire nation as it provides the base for long-term investments and infrastructure development for every country therefore contributing towards economic growth. Saving also acts as a hedge for nations against economic downturns and financial crisis. One of the avenues to boost national saving is by encouraging individuals to increase personal saving.

Investment on the other hand is putting money into an asset with the expectation of capital appreciation, dividends, and/or interest earnings. Most or all forms of investment involve some form of risk, such as investment in equities, property, and even fixed interest securities which are subject, among other things, to inflation risk. It generally does not include deposits with a bank or similar institution. A good investment strategy will diversify the portfolio according to the specified needs. Investing in the stock market for example, provides an opportunity to take advantage of the equity premium and to benefit from risk diversification. In addition, it has been argued that households are either simply unaware of the investment opportunities in the stock market or refrain from investing in stocks due to a lack of trust [6]. However, appropriate financial decisions must be made since some households may in fact be better off not investing in the stock market due to excessive trading or bad timing of transactions as vast majority of households that invest in the stock market follow very passive investment strategies [1].

From time to time individuals may require borrowing money in order to meet their needs. Debt management decisions are made to help consumers avoid over indebtedness. To be able to perform calculations, individuals require at minimum, an understanding of compound interest and the time value of money. Decisions about how much to accumulate and how much to borrow to be able to smooth consumption over the life-cycle also require an understanding of the working of interest rates. This means that individuals are faced with complex situations that require them to be equipped with appropriate knowledge and skills. This therefore means that the actual requirements for making personal decisions are demanding since individuals have must collect information, interpret the information and make forecasts about many variables [13].

2.5. Empirical Review

There is an ever-rising interest in the financial literacy from academic community, international organizations and recently governments have embarked on finding ways of raising its citizen's financial knowledge. Different sectors of

the economy, which constitute persons from various backgrounds, have been studied and their financial literacy assessed. Studies have indicated that the average level of financial wellness imply high financial literacy score because those with high levels of personal financial wellness report better performance ratings, less absenteeism, and less work time used for personal financial matters [6; 3]. It has been noted that some workers are not financially well because they have financial problems. If employers can improve personal financial wellness of workers, such as through financial education, it may increase productivity, because personal financial wellness is related to worker productivity.

Study by [16] sought to understand the level of working Australians' financial knowledge and preparedness for retirement. A random sample of 802 working Australians found alarmingly low levels of financial literacy. Only half of the respondents surveyed had given, at best, some thought to retirement, but made very little, if any, preparations for it. Correspondingly, as financial literacy levels decline, anticipation of a lifestyle in retirement that is far less comfortable than now increases. Financial literate consumers were thus more confident in making personal financial decisions and making decisions on behalf of the employer.

Study by [11] personal financial literacy examined the level of personal financial literacy of academic support-employee and analyzed their spending and saving behaviors. The samples taken were for 400 academic support-employees from Chiang Mai University. Results showed the overall mean of correct answers for the survey was about 36%. Although the questions included in the survey were basic, none of the mean scores for each area of general knowledge, debt, risk, and investments was above 44%. These levels of financial literacy are low. It is also found that participants with less knowledge held wrong opinions limiting their ability to make informed decisions. The academic support-employees knowledge of personal finance was low and needed to improve.

Study by [6] investigated financial literacy of university professors' a sample of 94 professors was selected randomly from a population of 550 professors. Data was collected using questionnaires was analyzed using statistical analyses such as correlation, independent samples T-test and ANOVA. The results showed that university professors lacked essential financial information for handling their daily financial issues. There was a relationship between financial literacy and marital status characteristics, and finally there was no significant relationship between variables such as age, education and employment status with financial literacy.

Study by [8] argued that online investors should have more knowledge than normal investors to succeed in the securities markets, because they are more likely to be surrounded by financial misinformation and manipulation. Therefore, the authors examined investment literacy of 530 online investors and the difference in the literacy level among various groups of participants using age, income, gender, education, and previous online trading experience as variables. The study demonstrated that the level of financial literacy varied with

people's education, experience, age, income, and gender. Particularly, women had much lower financial literacy than men and older participants performed better than younger participants. As well, online traders had higher knowledge than others. Moreover, investors with higher income had more knowledge in investment than those with lower income, and investors with college or higher degree performed better than those with low education.

Study by [11] used logit models to predict financial literacy using the 2003 ANZ Survey of Adult Financial Literacy in Australia. The results indicate that all other things being equal, males, older persons, people whose occupations are professional, business owners and executives, small business and farm owners and semi-skilled traders, those with a university education and those with higher levels of income, savings and mortgage debt have a greater likelihood of a high level of financial literacy. Conversely, females, the unemployed and other non-working persons, farm workers, and those with low educational level had low levels of financial literacy.

Study by [9] on the relationship between financial literacy and retirement readiness included 989 observations taken from the American life panel. Panel C offered insight into why financial literacy patterns vary by age, educational attainment and sex. The results indicated that the respondents age 50+ were consistently better informed. Differences in financial literacy by education were however more striking with those with less than college education much more likely to respond incorrectly, especially to questions on compound interest, the time value of money, and inflation. Women on the other hand, exhibited much lower levels of financial literacy than men did.

According to [4, 3] examined the correlation between financial knowledge and actual behavior among the general population in the United States. They measured knowledge using the 28-question Financial IQ measures that were included in the Survey of Consumer Finances. The results indicated significant correlations between credit management scores and scores on the composite measure of financial knowledge which showed a strong relationship between financial knowledge and the likelihood of engaging in a number of financial practices: paying bills on time, tracking expenses, budgeting, paying credit card bills in full each month, saving out of each paycheck, maintaining an emergency fund, diversifying investments, and setting financial goals.

3. Research Methodology

This study adopted a descriptive survey research design. Data was collected regarding the effect of financial literacy on personal financial decisions from a selected sample of respondents. The target population for this study consisted of all employees of Egerton University. Stratified sampling, proportionate sampling and random sampling techniques were used to determine the sample. The sampling techniques in this study were considered based on the different

distributions of the respondents in the organizations' management structure as well as the characteristics of the target population. The target population was 1998 employees categorized into strata: Lower level=541, Middle level=1447 and Top level=10. A sample of 320 respondents was determined using [7] sample determination table. The target sample size determined of 320 respondents was drawn proportionately from each management level. A random sample from each stratum was taken in a number proportional to the stratum's size when compared to the population. The study used structured questionnaires to collect data. The researcher collected primary data using structured questionnaires which were administered to the respondents by drop and pick method.

The questionnaires were pilot tested on 10 employees, before they were administered in the actual study. This helped refine the questions before they were administered in the actual study. Report by [11] pointed out that validity of an instrument is improved through expert judgment. The reliability of data was estimated using Cronbach Alpha coefficient. The reliability of data was estimated using Cronbach Alpha coefficient. Cronbach alpha reliability coefficient normally ranges between 0 and 1; and higher alpha coefficient values are more reliable. The generally agreed lower limit is 0.7 (Nunnally & Bernstein, 1994). The results were as presented in table 1

Table 1. Reliability Analysis.

Variables	No. of items	Cronbach Alpha Coefficient (α)
Financial knowledge	12	0.919
Financial skills	6	0.798
Financial attitudes	7	0.702
Financial decisions	21	0.762
All questionnaire items	46	0.876

The Cronbach Alpha Coefficient results in table 1 were greater than the threshold of 0.7, and therefore the questionnaire was considered reliable.

The Pearson Moments Correlation and the Multiple Regression models were used to test the relationship between financial literacy aspects (financial knowledge, financial skills, and financial attitudes) and personal financial decisions while multiple regression analysis was used to determine the overall effect of financial literacy on personal financial decisions.

4. Results

4.1. Financial Literacy Indices

With respect to the level of financial literacy among employees, based on the components of financial literacy (Financial knowledge, financial skills, financial attitude), table 2 gives the overall index. These findings indicate that level of financial literacy among employees was generally as evidenced by average at 3.3 on a 1 to 5 rating.

Table 2. Financial Literacy Indices.

Financial Literacy	Index	Std. Deviation
Financial Knowledge	3.49	1.2
Financial Skills	3.54	1.1
Financial Attitudes	2.91	1.16
Overall Index	3.3	1.15

4.2. Personal Financial Decision Indices

Findings on financial decision gave indices of 3.20, 3.54 and 3.42 for personal financial decisions, money management, savings and investment and debt management respectively as presented in table 3. The overall index was 3.39. The above findings indicate that the respondents had

average skills in making personal financial decisions.

Table 3. Personal Financial Decision Indices.

Personal Financial decisions	Index	Std. Deviation
Money Management	3.20	1.12
Savings and Investment	3.54	1.1
Debt Management	3.42	1.16
Overall Index	3.39	1.12

4.3. Financial Literacy and Personal Financial Decisions

The study used correlation analysis to establish the relationship between financial literacy and personal financial decisions. The findings were as presented in table 4 below

Table 4. Financial Literacy and Personal Financial Decisions.

Independent Variable		Dependent variables			
		Money Management	Savings & Investment	Debt Management	Personal Financial Decisions
Financial Knowledge	Pearson Correlation	.209**	.333**	.210**	.346**
	Sig. (2-tailed)	.000	.000	.000	.000
Financial Skills	Pearson Correlation	.478**	.687**	.035	.598**
	Sig. (2-tailed)	.000	.000	.563	.000
Financial Attitude	Pearson Correlation	-.003	.063	.212**	.105
	Sig. (2-tailed)	.960	.295	.000	.080
N		278	278	278	278

** . Correlation is significant at the 0.01 level (1-tailed).

According to the correlation results findings (Table 4), financial knowledge was found to be positively and significantly related to money management ($r = .209$); savings and investments ($r = .333$) and debt management ($r = .210$). Further, according to the study findings financial knowledge was positively and significantly related to combined personal financial decisions components ($r = .346$). The r value of 0.346 indicates a positive correlation between financial knowledge and personal financial decisions among employees of Egerton University. The null hypothesis is thus rejected. The significance value of 0.000 which is less than 0.05 indicates that the relationship is statistically significant.

According to the correlation results findings (Table 4), financial skills was found to be positively and significantly related to money management ($r = .478$) and savings and investments ($r = .687$). The findings indicate that financial skills was found to be positive and not significantly related to debt management ($r = .035$). The results of the study affirms a study by [6] indicating that financial literacy gives consumers and households' skills necessary to assess the suitability of financial products and investments. It ensures that financially literate people have a greater capacity to save for retirement and do so. A better-informed consumer saves for the future, for retirement and for unforeseen circumstances and emergencies. The study also sought to determine the relationship between financial skills on combined personal financial decisions. Findings indicate that financial skills was positively and significantly related to combined personal financial decisions components ($r = .598$). Therefore, it was concluded that financial skills have statistically significant positive relationship with personal financial decisions.

According to the correlation results findings (Table 4), financial attitude was found to be negatively related to money management ($r = -.003$); positively related to savings and investments ($r = .063$) and positively related to debt management ($r = .212$). While, financial attitude was positively but not significantly related to combined personal financial decisions components ($r = .105$). The r value of 0.105 indicates a positive but not significant correlation between financial attitude and personal financial decisions among employees of Egerton University. The null hypothesis is thus not rejected. Therefore, it was concluded that financial attitude was not statistically significant to personal financial decisions. The results can be interpreted to confirm [12] assertions that there was a strong negative statistical relationship between personal financial attitude and borrowing through a credit card. These results concluded that improving personal financial attitude through education and practice reduces dependence on credit cards.

4.4. Multiple Regression Analysis

Multiple regression analysis was carried out between financial literacy (financial knowledge, financial skills, and financial attitudes) and personal financial decisions. The results were as presented in table 5-

Table 5. Regression Model Summary.

Model	R	R Square	Adjusted R Square	F-ANOVA	Sig. F-change
1	.616 ^a	.380	.373		.000

Predictors: (Constant), Financial attitude, Financial skills, Financial knowledge

Based on the summary regression model, the results indicate a coefficient of determination of 0.380 ($R^2=0.380$) the percentage variation in the dependent variable being explained by the changes in the independent variables. This implies that 38 percent of the total variation in personal financial decisions is explained by financial literacy. The remaining 62 percent is explained by other factors, not

captured by the model. The adjusted R^2 indicates that it is closer to the R^2 therefore there is no much variation existing between the two thus proving the coefficient of determination. Consequently, the null hypothesis that financial literacy has no effect on personal financial decisions among the employees of Egerton University was thus rejected.

Table 6. Multiple Regression Analysis.

	Un-standardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	36.528	3.321		10.999	.000		
Financial knowledge	.144	.048	.153	2.972	.003	.857	1.166
Financial skills	1.152	.108	.544	10.713	.000	.877	1.140
Financial attitude	.054	.119	.022	.451	.391	.976	1.025

From table 6, the following model was developed for the study

$$\gamma = 36.528 + 0.144x_1 + 1.152x_2 + 0.054x_3$$

Where

γ = Personal financial decisions,

x_1 = financial knowledge,

x_2 = financial skills, and

x_3 = financial attitude

4.5. Conclusions

The main purpose of the study was to evaluate the effect of financial literacy and personal financial decisions among employees of Egerton University, Nakuru County. In this regard, the study examined the financial literacy in terms of financial knowledge, financial skills and financial attitudes and their effect on personal financial decisions in terms of money management, savings and investments, and debt management.

On the basis of descriptive findings, it can be concluded that although the overall level of financial knowledge among employees was generally moderate, financial knowledge was higher among study respondents on products such as Mpesa, savings and current accounts products but very low on financial products like investments & mutual trusts, stocks & shares as well as mortgages. Furthermore, the study concludes that the relationship between financial knowledge and financial decisions was generally positive and a significant. This implies that adoption of appropriate knowledge of financial products would translate into adoption of expected financial decisions. Nevertheless, the employees of Egerton University have relatively lower financial knowledge of critical products to attain higher levels of financial decision-making.

With regard to financial skills, the study concluded that financial skills have significant influence on personal financial decisions. It was however notable the level of financial skills was low especially on negotiating for better rates of return on investment products and relying on the advice from professional expert on financial matters. In addition, it was evident that the overall financial skills among employees were found moderate. These findings suggest that adoption of appropriate financial skills was not sufficient

enough among the employees to considerably influence financial decisions (especially saving & investments and debt management).

On the effect of financial attitudes and personal financial decisions, the study concluded that financial attitude has very low influence on personal financial decisions. It was notable that financial attitude influences to a very small extent savings and investments decisions and to a moderate extent on debt management decisions. Financial attitude were found to negatively influence money management decisions. These findings suggest that higher levels of financial attitude among employees did not translate into appropriate personal financial decisions.

On the basis of correlation and regression results, the study concluded that financial literacy influences personal financial decisions among employees of Egerton University. The outcomes of financial decisions have significant implications for an individual's financial security and standard of living. A person with a good level of financial literacy is likely to be better placed than someone without those skills and knowledge to manage their financial affairs prudently. It was evident that financial attitude did not have statistically significant effect on personal financial decisions.

4.6. Recommendations

It was evident from the study findings that overall level of financial knowledge among employees was generally moderate. This was attributed to lack of knowledge on financial products like investments & mutual trusts, stocks & shares as well as mortgages. This therefore calls for financial education on financial products available in the market especially on mortgage, stocks and shares and investment accounts.

With regard to financial skills, it was notable the level of financial skills was low especially on negotiating for better rates of return on investment products and relying on the advice from professional expert on financial matters. The study therefore recommends provision of financial education programs to employees to enhance their financial skills. These programs can be implemented by introducing some seminars that should help employees understand the basics of financial decision making.

It was also evident from the study that financial attitude does not significantly influence a person's financial decisions. The findings demonstrate that financial attitude did not influence ability to apply their knowledge and to exercise their skills in order to manage their money and to make appropriate decisions. This calls for concerted efforts to inculcate appropriate attitude to translate acquired financial skills into practice and decisions-making among the employees.

This study provided critical insight into the effect of financial literacy on personal financial decisions. An in-depth study on the financial literacy levels among the different cadres of staff may be necessary so as to determine the financial education needs to be addressed for each level.

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