

Financial Education on Employees' Financial-Wellbeing in Academia in Tharaka Nithi County in Kenya

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Abstract

Many employees do not have the basic skills necessary to make good financial decisions and employers are beginning to realize that when they are experiencing poor personal financial management it carries over to the work place. This is why the main objective of this study focuses on an evaluation of employees' financial knowledge and their financial well being. This implies that, employees' personal financial well being could be ensured by putting in place sound personal finance management practices. Therefore the study recommends that the management of academia as part of enhancing employee welfare should consider introducing more vibrant personal finance management training programs for the employees, both in and outside the institution. Further work-life balance should be encouraged as goal for the HR departments for efficient employee performance.

Key words: Financial education, financial well-being, financial literacy

Introduction to the study

The financial systems of the 21st Century have been growing with speed, sophistication and becoming more complex (Hilgert and Hogarth, 2002) world over. The economic and social environment in which people take financial decisions has also changed drastically, and this change is set to continue with the dynamic and ever changing technology. Financial products and services have multiplied along with technological and other means of marketing them (Greenspan, 2005). As a result, people have to increasing take individual responsibility for their financial affairs unlike in the past when the governments could provided basic necessities like education, provision of health care and even subsidized food prices. This calls for skills that can be obtained through financial education for better personal financial well being.

Financial knowledge has been found to influence one's financial situation (Mugenda et al., 1990; Princeton Survey Research Associates, 1998). Financial knowledge may include knowledge about general personal finances, retirement plans, employee benefits, credit and money management, and consumer rights. Workplace financial literacy can increase the level of financial knowledge, and sometimes increased financial knowledge improves the individual financial well-being. Financial problems resulting from poor personal financial management is known to affect individual productivity at the workplace. An exit survey on employee satisfaction and work environment in 2011 by Peak Network Consultants Ltd, established that the percentage of workers at Chuka University with substantial financial problems was reported to that the percentage of workers at Chuka University with substantial financial problem was reported to be between 40-52%. Further investigations reveal Chuka University employees who report low level of financial literacy faced a number of challenges associated with financial problems such as difficulties in resolving conflict when balancing need and demand, long term planning and monthly budgeting, spending beyond their earn. These challenges eventually results to employees employing various mechanisms to deal with their financial problems such as applying for additional credit and using debt to service debt as well as addictive and destructive behaviors such as absenteeism, substance abuse, corruption and poor employee relations at work place. This clearly indicates a possible employee productivity crisis in the institution. The current study therefore seeks to investigate the effects of financial knowledge on employees' financial well being at Chuka University.

Research methods

The study was carried out among the employees of Chuka University, where the target population comprised of all the 251 employees' of Chuka University, and sample size of 84 employees' was selected to participate in the study. The main tools of data collection were questionnaires self administered to selected employees. Variables were measured based on the objectives and data collected was analyzed using Statistical Package for Social Scientists version 19.0. Tools of analysis included the use of frequency counts, percentages, person correlation, and chi-square analysis. Analyzed data was then presented inform of tables and charts.

Findings and Discussion

Attended financial education training in the past

Training plays a key role in imparting knowledge to employees, therefore the study sought to know whether

employees had attended financial literacy training in the past.

Majority of Chuka University employees studied (59.5%) indicated that they had attended financial literacy training in the past, as opposed to 40.5% who had not. This implies that financial literacy training were available for Chuka University staff.

Respondents Rating on the Areas Covered on Financial Education Training

Further, the study sought to establish respondent's opinion on areas covered on financial education training attended. These findings are as shown on table 1 below

Table 1: Areas Covered on Financial Education Training

| Areas covered | Frequency | Percent | Cumulative Percent |
|-----------------------|-----------|---------|--------------------|
| Planning | 13 | 19 | 19 |
| Loan management | 7 | 10 | 29 |
| Investment | 18 | 26 | 55 |
| Retirement investment | 27 | 39 | 94 |
| Debt management | 4 | 6 | 100 |
| Total | 69 | 100.0 | |

From the findings on table 1, it is evident that majority 15(37%) of the respondents' rated retirement investment was covered on financial education training attended, 4(9%) rated loan management was covered, 14(34%) rated investment was covered, and 2(5%) rated debt management was covered. It can therefore be argued that retirement investment was covered in financial education training attended by employees' at Chuka University. This agrees with Bernheim & Garrett (1996) who opines that financial education at workplace should mainly focus on saving, investing and retirement information thus be limited to topics relevant to retirement planning and investment, such as basic investment terminology, asset allocation principles, risk tolerance and risk-return tradeoffs, effects of inflation, estimation of retirement income needs and retirement income sources, retirement strategies, and the impact of pre-retirement withdrawals on retirement income. Further staffs of Chuka University were asked to indicate whether there was need for financial literacy in their work place, and the findings presented on table 2.

Table 2: Need for financial literacy

| | Frequency | Percent |
|--------------|-----------|------------|
| No | 25 | 36.2 |
| Yes | 44 | 63.8 |
| Total | 69 | 100 |

There is need for financial literacy education among employees of CHUKA UNIVERSITY as indicated by 63.8% of the staff. According to Blair & Sellers, 1995, financial education among employees is an emerging issue in employers benefit community since employees have a greater responsibility of their own financial security and for employees to develop their personal financial security, employers are realizing the need for financial education among them

Why Chuka University Employees Need Financial Literacy Education

Staff of Chuka University cited that they needed financial literacy, to handle personal financial issues adequately.

Table 3: Why Chuka University Employees Need Financial Literacy Education

| | Adequately | Fairly Adequate | Inadequate |
|--|------------|-----------------|------------|
| To develop personal financial security | 14(20.3%) | 44(63.8%) | |
| To provide retirement saving | 50(72.5%) | 19(27.5) | 11(15.9%) |
| To help make informed financial decisions | 43(62.3%) | 18(26.1) | |
| To facilitate financial readiness for retirement | 43(62.3%) | 26(37.7%) | 8(11.6%) |
| For access to employer based sponsor benefits | 0(0%) | 27(39.1%) | 1(1.4%) |
| To increase commitment to employer | 29(42%) | 39(56.0%) | |

Majority of the employees 44(63%) need financial literacy to adequately develop mechanisms for personal financial security, while 50(72.5%) need to provide retirement saving. 43(62%) need it for making informed

financial decisions adequately, while 43(62%) need to be able to adequately have sound retirement investments. Only a few attribute the financial knowledge benefits to the employer.

Whether Institution offers Workplace Financial Education

Further, the study sought to establish respondent's opinion on whether, the institution offers workplace financial education.

Table 4: Whether institution offers workplace financial education

| | Frequency | Percent | Cumulative Percent |
|-------|-----------|---------|--------------------|
| No | 51 | 74 | 74 |
| Yes | 18 | 26 | 100.0 |
| TOTAL | 69 | 100.0 | |

Majority 51(74%) believed, that their institution do not offer workplace financial education as opposed to minority 18(26%) who were of the contrary opinion that, their organizations offers workplace financial education.

Methods of Delivering Workplace Financial Education

An institution may have different methods of delivering workplace financial education. From the data collected, the various methods of delivering workplace financial education were presented in Table 5 as follows

Table 5: Methods of delivering workplace financial education

| Methods of delivery | Frequency | Percent | Cumulative Percent |
|--------------------------|-----------|---------|--------------------|
| Group seminars | 3 | 17 | 17 |
| Workshops | 8 | 44 | 61 |
| Financial counseling | 2 | 11 | 72 |
| Computer generated plans | 1 | 6 | 78 |
| Internet | 4 | 22 | 100 |
| Total | 18 | 100.0 | |

The findings displayed on table 1.6 indicate that, majority of respondents 8(44%) revealed financial education was delivered through workshops, 3(17%) revealed it was through group seminars, 2(11%) through financial counseling, whereas 4(22%) revealed it was through internet.

Rating on the staff's financial skills

Employees of Chuka University were allowed to rate themselves on the level of financial literacy on a three point scale as adequate, fairly adequate, and inadequate. These findings are captured on table 6.

Table 6: Rating on the staff's financial skills

| | Adequate | Fairly Adequate | Inadequate |
|-----------------------|-----------|-----------------|------------|
| Budgeting | 13(1.8%) | 34(49%) | 22(31.9%) |
| Loan management | 7(10.1%) | 39(43.5%) | 32(46.4%) |
| Debt management | 12(17.4%) | 38(55%) | 19(27.5%) |
| Retirement investment | 12(17.4%) | 24(34%) | 33(47.8%) |

Budgeting is a key aspect in enhancing healthy financial management. However, majority of the respondents 34(49%) rated themselves fairly adequate on budgeting knowledge, while 22(31.9%) rate themselves inadequate on budgeting knowledge. On the other hand 62(89.9%) rated themselves as either fairly adequate or inadequate on loan management knowledge. Knowledge on debt management was rated low among employees as 38(55%) cited adequate, while 19(27.5%) cited inadequate. Lastly on retirement investment knowledge among employees of Chuka University, 33(47.8%) rated themselves inadequate, while 24(34%), rated themselves fairly adequate. Generally the only a few respondents rated themselves adequate on all forms of financial literacy under consideration.

Financial Well Being

Financial well being of a person is a state of mind that measures their satisfaction with own financial matters. In the current study, financial well being of Chuka University staff was established through a range of questions that sought to measure their level of satisfaction.

Table 7: Financial Well Being

| | Highly satisfied | Fairly satisfied | Not sure | Un satisfied | Highly Unsatisfied |
|--|-------------------------|-------------------------|-----------------|---------------------|---------------------------|
| Current income | 7(10.1%) | 22(31.9%) | 25(36.2%) | 15(21.7%) | 0(0%) |
| Wealth | 12(17.4%) | 18(26.1%) | 19(27.5%) | 20(29%) | 0(0%) |
| Ability to stay out of debts | 15(21.7%) | 17(24.6%) | 14(20.3%) | 23(33.3%) | 0(0%) |
| Level of assets | 0(0%) | 12(17.4%) | 37(53.6%) | 20(29%) | 0(0%) |
| Ability to pay back money owed | 17(24.6%) | 25(36.2%) | 15(21.7%) | 12(17.4%) | 0(0%) |
| Control over financial affairs and resources | 7(10.1%) | 41(59.4%) | 13(18.8%) | 8(11.6%) | 0(0%) |
| Insurance and risk management | 0(0%) | 0(0%) | 36(52.2%) | 33(47.8%) | 0(0%) |
| Employee benefits | 0(0%) | 14(20.3%) | 18(26.1%) | 37(53.6%) | 0(0%) |
| Ability to adjust to life transition | 0(0%) | 13(18.8%) | 22(31.19%) | 34(49.3%) | 0(0%) |
| Job security | 7(10.1%) | 38(55.1%) | 12(17.4%) | 12(17.4%) | 0(0%) |

Generally, employees of Chuka University expressed their dissatisfaction with various financial aspects, indicating that their financial well being was not satisfactory to them. Majority 40 (57.9%) were either not satisfied or not sure of their level of satisfaction with their current income. Another 39(56.5%) were either not satisfied or not sure of satisfaction with their current wealth. Ability to stay out of debts was cited by 37(53.6%) as unsatisfactory or not sure. Over three quarters 57(82.6%) were dissatisfied or not sure of whether their level of assets was satisfactory. However, majority 42(60 %), and 48(69.5%) were highly or fairly satisfied with their ability to pay back money owed to them, and control over financial affairs and resources respectively. On insurance and risk management, employee benefits, and ability to adjust to life transitions, majority expressed dissatisfaction, while 38(55%) were fairly satisfied with their job security.

Discussion of Findings

The discussion relates the findings in the earlier studies to the situation in Chuka University based on the expectations of International community, Kenya government academia and Chuka University at large.

Financial education need of Chuka University employees

The study revealed that financial education need emanated from employees financial literacy level and the financial education they needed for their financial wellbeing. The factors that sought to establish the need for employees financial education included Chuka University financial literacy level, their financial wellbeing, method of delivering financial education to the employees, need for retirement and saving information, need to increase employees participation in employer based sponsored benefit, need to increase employees productivity, and to reduce employees theft at work place.

Financial education need for employees' financial literacy level.

The study showed that Chuka University employees needed financial education to increase their financial literacy level. Majority of the employees have been working for the institution for more than two years but they have never been educated on how to manage their personal finances. This is reflected in their desire to be educated on how to manage their personal finances. Financial education is essential as it enables them to carry out their financial activities effectively. These findings confirm the financial literacy level gap that exist amongst Chuka University employees and what they intend to achieve; enhance financial wellbeing.

These finding also revealed that Chuka University has the capacity to support its employees in enhancing their financial well being and that the employees need information on financial education. Such education will enable them perfect their financial management skills and knowledge and become more effective. These findings support earlier studies which held that employee's personal financial literacy can be gained through providing financial knowledge if employees can access financial education that can improve their financial management skills.

Financial education on employee's financial wellness

Throughout the period of the field work the employees indicated that they had poor financial wellbeing. They

were aware of need for an emergency funds, monthly retirement savings, monthly loan payment, and monthly saving. However the study revealed that the Chuka University employees did not have adequate financial education as to be able to improve on their financial management skills. Financial education is supposed to avail information on financial management skills, credit management, and cash flow management, but for those employees who cannot access financial education, then it means there is a missing link between Chuka University employees financial literacy on their financial wellbeing, which is contrary to the study's earlier assertion that employees are usually provided with financial education to be able to improve their financial wellness (Joo 1998). The finding shows that Chuka University employees who are not financial literate lacked financial wellbeing: an indication that they feel like they always in financial trouble, find it is hard to pay bills and spend more than they spend.

Method of financial education delivery

Work place financial education attempts to ensure employees financial wellness. Although some employees manage their finances, they need financial education on better management of their personal finances. The study reveals that Chuka University delivers financial education through group seminars, workshops, financial counseling, computer generated plans, and internet. This may imply that employees with low level of financial literacy do not interact with those with a high level of financial literacy who have information on methods that an institution delivers financial education.

Relative importance of financial education.

The findings of the study concur with those other studies which found workplace financial education to be of great relevance to employees. Chuka University employees need financial education because of a number of benefits that it is associated with which includes: encouraging employees to participate in employer based sponsored benefit. Employees need financial education to be in a position to understand and participate in employers based sponsored benefit. Most employees without adequate financial education may not see the need to participate in these benefits as they do not see its relevance.

Financial education is of importance in creating a greater worker commitment to employers. An employee may feel obligated to be committed to an organization if an organization inspires them to do their best in the way of job performance and if they feel the organization is the best to work with. This can be achieved if an organization provides financial education as employees may feel motivated thus increased commitment and productivity level.

This study also found that there is need for financial education to help employees make informed financial decisions. Employees who are financially literate make informed financial decisions. Financially educated employees will have knowledge on importance of investment practices, credit management and cash flow management. These findings also showed that Chuka University has the capacity of reducing employees' theft at work place and there is need for financial education. Financial education will enable the employees perfect on their financial management skills and help them avoid financial problems that may lead them to employee theft at work place.

Effect of financial knowledge on financial well being

Chi-square analysis was done to establish the effect of overall score of employee financial knowledge on employee financial well being as indicated on table 8.

Table 8: Effect of financial knowledge on financial well being

| | Financial Knowledge | Overall financial wellbeing |
|-------------|---------------------|-----------------------------|
| Chi-Square | 9.768 ^a | 29.913 ^b |
| df | 4 | 6 |
| Asymp. Sig. | .045 | .000 |

From the captured chi-square (29.913) at 6 degree of freedom; it emerged that there is a significant relationship between the level of employee financial knowledge and their financial well being p-value (0.000) is less than 0.05 at 95% confidence level. This implies that employees financial well being could be enhanced by increasing their personal financial knowledge. Financial knowledge according to (Mugenda et al., 1990; Princeton Survey Research Associates, 1998) has been found to influence one's financial situation.

Conclusions

The study concludes that, based on the study findings, employees of Chuka University have been facing personal financial challenges and they are in need of financial education. It was also established that the level of knowledge on personal finance influenced employee financial well being which has a bearing on employee

productivity.

Recommendations

Chuka University employees need financial education initiated towards enhancing their financial wellbeing. Though the employees' demonstrates keen interest in the need for financial wellbeing, this will not be achieved easily unless they perfect their financial literacy. Perfection will not come unless the employees' aggressively demand and access financial education on increasing their financial wellness.

Further work-life balance should be a goal for the HR departments where mechanism are put in place to allow smooth information sharing between management and employees on personal financial matters as a way of motivating employees for improved productivity.

Suggestions for Further Research

The researcher could not cover all possibilities. This research indicated that there is a relationship between financial education and employees' financial wellbeing within academia. The researcher therefore suggests further research on the following:

1. Studies to clearly establish the predictive relationships between factors that result from challenges of employee's personal financial education on employee's wellbeing.
2. Understanding of the value of employer-based programs at work place.

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