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**The Influence of Financial Literacy on Resourceful Preparedness for Retirement among Employees of West Kenya Union Conference Organizations and Institutions**

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**Abstract**

Enhancing financial literacy is the greatest need linked to employee resourceful preparedness for retirement. This is because, as the individuals become financially literate, they develop the skills and competence required to make informed choices. On the other hand, the lack of understanding of financial matters cripples economic progress. The study therefore sought to assess the influence of financial literacy on resourceful preparedness for retirement among employees of West Kenya Union Conference organizations and institutions. The study capitalized on descriptive and inferential research design in order to come up with the findings. Stratified random sampling was used to identify the respondents from seven organizations and four institutions found within the territory of West Kenya Union Conference. Questionnaire was administered online and data was obtained from two hundred and forty-one respondents. The first part covered the demographic factors of the respondents, the second section focused on the level of financial literacy, the third segment centered on assessing the level of resourceful preparedness for retirement. Finally, a correlation analysis was carried out in order to determine if there is any relationship between the variables of the study. The results showed that there was a statistically significant positive influence of financial literacy on resourceful preparedness for retirement. The findings further indicated that on the aspects of financial literacy, the respondents were ‘to a great extent’ literate. On the aspects of resourceful prepared for retirement, the respondents are ‘to a great extent’ prepared for retirement. The researcher therefore recommends that all organizations/institutions should formulate policies and develop programs on education and training on financial literacy to progressively equip employees to be resourcefully prepared for retirement.

Key Words: Knowledge, Behavior, Decision and Retirement

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## **The Influence of Financial Literacy on Resourceful Preparedness for Retirement among Employees of West Kenya Union Conference Organizations and Institutions**

By

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### **Introduction**

Enhancing financial literacy is the greatest need linked to employee resourceful preparedness for retirement (Allgood & Walstad, 2013; Lusardi, Mitchell, & Curto, 2010). This is because, as the individuals become literate, they develop the skills and competence that enables them to make informed choices. Lack of understanding of financial matters has been singled out as the main explanation for investing and savings problems faced by many households (Van Rooij, Lusardi & Alessie, 2011).

Financial literacy is the process by which employees improve their understanding of financial products and concepts through information that enables them to make informed decisions (Wachira & Kihiu, 2012). Resourceful preparedness on the other hand involves, balancing expenditure with income, reducing expenditures for future consumption and using monetary resources wisely over time taking into account various financial risks and uncertain future life events (Agunga, Jagongo, & Ndede, 2016).

The knowledge on personal finance has increased in importance but only a small number of employees feel confident about their level of financial literacy (Atkinson & Messy, 2012; Gaisina, 2018; Lusardi & Mitchell, 2011). In order to gain financial freedom, Gaurav and Singh (2012) proposes that employees must overcome this financial uncertainty by gaining basic economic and monetary knowledge. In addition, financial literacy helps individuals to improve their level of understanding of financial matters that enables them to process financial information and make in-formed decisions about one’s finances (Lusardi & Mitchell, 2014).

Nicolini and Nicolini (2019) observed that just like reading and writing, financial literacy helps employees to learn about earning and spending, saving and investing, using credit wisely, paying fees and recognizing and avoiding financial fraud. Financial literacy is a lifelong pursuit and one that it is never too late to enter into (Doorley & Nolan, 2019). Equipped with this knowledge, employees are better armed to sail across their financial futures and be prepared to make smart choices.

Despite the training received regularly by employees on financial literacy, there is still an increase in the level of debt and other unsound financial practices among employees who are due for retirement (Aluodi, Njuguna, & Omboi, 2017). It is not clear whether financial literacy plays a significant role in equipping employees resourcefully for retirement. Can financial education prepare the employees well enough with the skills needed to minimize old age poverty? There is, therefore, need to analyze the role of financial literacy on resourceful preparedness for retirement among employees of West Kenya Union Conference organizations and institutions.

### **Statement of the problem**

ECD working policy (2019) requires that, at the end of 40 years of service or at the age of 65 years, whichever comes earlier, workers engaged with the west Kenya union conference should retire. This working period is presumed to be sufficient for an individual to gather enough resources to support them through their retirement life. The resources

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accumulated will enable workers meet their basic needs and hence, able to maintain their standard of living.

Although this is the case, it is reported by the West Kenya Union Conference, Human Resource Office (2020), about 60% of employees are hesitant to leave their jobs asking to be accommodated for a bit longer. When interrogated, it is discovered that the reason why the employees are requesting for post-retirement engagement is because they are not resourcefully prepared for retirement. In the event that an individual retires without being resourcefully prepared for retirement, they will end up being a burden to the family and the society at large.

It is expected that financial literacy may influence resourcefully preparedness for retirement. The issue that goes against the current here is that the employees in question are people who have been on influential positions, they are literate academically, and they have been exposed to sound personal financial management practices. How comes they fail to prepare resourcefully for retirement? This study therefore, endeavor to fill the gap by assessing financial literacy and resourcefully preparedness for retirement.

### Conceptual framework

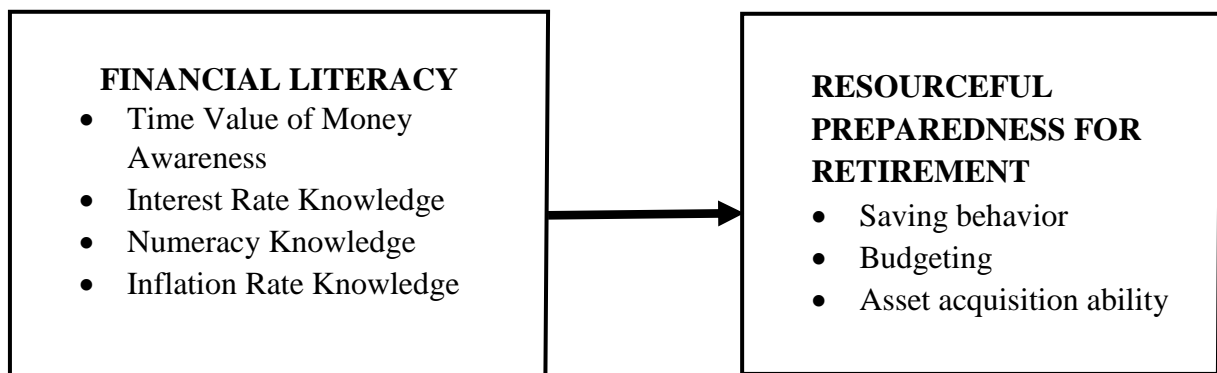


Figure 1: Conceptual Framework

Adapted from: (Maobe, 2017) and (Agunga et al., 2016)

### Research Questions

1. What are the demographic profiles of the respondents in West Kenya Union Conference?
2. What is the level of financial literacy among West Kenya Union Conference employees in terms of;
  - a. Time Value of Money awareness
  - b. Interest Rate Knowledge
  - c. Numeracy knowledge
  - d. Inflation knowledge
3. To what extent are West Kenya Union Conference employees resourcefully prepared for retirement in terms of;
  - a. Saving behavior
  - b. Indebtedness
  - c. Budgeting
  - d. Asset Acquisition Ability

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4. Is there a significant relationship between financial literacy and resourceful preparedness for retirement among employees of West Kenya Union Conference organizations and institutions?

### **Null Hypothesis**

**H<sub>0</sub>:** There is no significant relationship between financial literacy and resourceful preparedness for retirement among West Kenya Union Conference employees.

### **Review of Related Literature**

Thuku (2013) carried out a study to find out the relationship between access to retirement information and retirement preparation among prospective retirees in Nyeri County, Kenya. The main aim of the study was to find out how retirement information impacts retirement preparation among 370 prospective retirees who were aged 50 and above from both the private and public sector in Nyeri County, Kenya. This study adopted the use of questionnaire for data collection. The result of this study indicated that a moderate negative correlation exists between access to retirement information and level of retirement preparation with a significant linear relationship between the two variables. The study further established that employees in the private sector were better prepared for retirement than their public sector counterparts and also having access to information on retirement than those in the public sector.

Githui and Ngare (2014), investigated the impact of financial literacy on retirement planning in the informal sector in Kenya. The purpose of their study was to find out the impact of financial literacy on retirement planning in the informal sector in Kenya. They established that that financial literacy remains on a low level in Kenya. They found that financial literacy has a positive impact on retirement planning. Further, it was established that the probability of a financially illiterate individual with no retirement planning is significantly high.

A research conducted by Bhattacharjee, (2014), assessed the financial literacy and its influencing factors in India by using a questionnaire to survey investors in three villages of Barpeta district of Assam. The researchers collected data on basic and advanced personal financial knowledge which was focused on; financial products and services, and instruments as indicators of financial literacy. The results indicated that, the majority of respondents have basic financial knowledge about savings accounts and basic financial instruments like life insurance policies, public provident fund and national saving certificate. However, advanced knowledge pertaining to financial market instruments, existence of capital market, and mutual funds were found low. The study also showed that demographic factors such as age, income, nature of employment and place of work, play a major role in determining the level of financial knowledge. An increase in age, income and education showed more impact on financial literacy, and there was no significant effect of gender on financial literacy.

Castro-González (2014) carried out a study evaluating the knowledge regarding financial and retirement planning in Puerto Rico. He used questionnaires to evaluate financial knowledge and retirement planning. From this study, he found out that employees lack knowledge although respondents gave answers that they get informed on financial and retirement matters by their employers. He also found out that most respondents were not familiar with the most basic economic concepts which are needed savings and investment decisions.

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Mndzebele and Kwenda (2020) analyzed the effects of financial literacy on financial preparedness for retirement among academic staff of higher learning institutions in the Kingdom of Eswatini. They made use of quantitative methodology and adopted descriptive research design on 144 respondents who were sampled proportionately from a total of 612 employees of institutions for higher learning in Eswatini. The results of the study indicated that only knowledge of financial instruments has a significant influence on financial retirement preparedness for retirement. The findings of their study further suggested that awareness campaigns on financial products have a chance of increasing financial preparedness for retirement.

### **Research Methodology**

This study adopted descriptive and correlation research design. The descriptive nature of this study provided the validity for generalizing its findings to a larger population. The relationship between financial literacy and resourceful preparedness was determined by correlation analysis.

### **Sampling Technique**

The sampling technique employed in this study was stratified random sampling. The respondents were divided into eleven strata according to the organization or institution in which they belong. The sample frame was derived by requesting for a list of regular employees from the human resource office. The organizations included Greater Rift-Valley Conference, North West Kenya Conference, Ranen Conference, Lake Victoria Field, Kenya Lake Conference, Central Nyanza Conference and West Kenya Union Conference office. The institutions included University of Eastern Africa Baraton, Kendu Adventist Hospital, Africa Herald Publishing House and Kamagambo Adventist Collage. Simple random sampling was employed in picking out the sample from the different strata.

### **Research Instrument**

The study was done through the application of primary data collected online using a structured questionnaire. Through literature, the questionnaire was developed. The instrument consisted of close-ended questions that required the respondents to rate their agreement to a set of questions relating to the variables of the study. The questionnaire items were constructed with respect to the research questions of the study. The rating of the questions were in form of Likert scale ranging from 1-4, where 1= Never, 2= Rarely, 3= Regularly and 4= Always (Merriam, 2014).

### **Statistical Treatment of Data**

Data that was gathered from this study was fed into SPSS version 25 for windows for statistical analysis. The researcher used both descriptive and inferential statistical techniques to analyze data. The descriptive statistics used include mean and standard deviation. Mean was used as a measure of central tendency while standard deviation was used as a measure of dispersion. Inferential statistics used is correlation analysis which was used to determine the relationship that exist between financial literacy and resourceful preparedness for retirement.

### **Ethical Considerations**

The study observed anonymity, informed consent, confidentiality, avoidance of risk or/and harm, permissions, academic integrity and objectivity. The questionnaires were coded to

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conceal the identity of individual respondents from the different organization and institutions. Once the data was obtained from the filled, questionnaires were kept in a safe place where third party cannot access them.

### **Presentation of Findings**

**Table 1: Gender of respondents**

Gender	Frequency	Percent
Male	171	71.0
Female	70	29.0
Total	241	100.0

Source: Field data

The female respondents made up 29% while the male respondents made up 71%. This is a reflection of the society where roles are divided between men and women. The men are sent out to work and make a living while women are left home to care for the family. This is perhaps why we see less women employed compared to their male counterparts.

**Table 2: Age of respondents**

Age	Frequency	Percent
18 - 25	9	3.7
26 - 35	70	29.0
35 - 45	79	32.8
46 - 55	55	22.8
Over 56	28	11.6
Total	241	100.0

Source: Field data

Often, respondents are not willing to indicate their actual age. To solve this challenge, categorizing the variables gives them an easier option to record their age as a range of possible values. Age 35 – 45 had the highest number of respondents accounting for 32.8%, followed by age 26 – 35 with 29% and age 46 – 55 with 22.8%. The age group between 18 – 25 and over 56 had the least number of respondents accounting for 3.7% and 11.6% respectively. The age distribution shows that the majority of employees in West Kenya Union Conference institutions and organizations are in their prime years. This shows that that the target population was appropriately identified since the majority of respondents are in the age bracket that is most appropriate for preparing for retirement.

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**Table 3: Marital Status of respondents**

Marital Status	Frequency	Percent
Single	31	12.9
Married	208	86.3
Widowed	2	0.8
Total	241	100.0

Source: Field data

Marital status captured three possible cases; single, married and widowed. The descriptive statistics show that 12.9% were single, 86.3% were married and 0.8% were widowed. The sample was drawn from Adventist organizations and institutions where family is highly valued hence the reason for majority being married.

**Table 4: Level of education of respondents**

Level of education	Frequency	Percent
Diploma	49	20.3
Undergraduate Degree	110	45.6
Master Degree	62	25.7
PhD	20	8.3
Total	241	100.0

Source: Field data

Level of education is assumed to be among the factors that would influence financial literacy and resourceful preparedness for retirement. The descriptive statistics indicate that a majority of respondents had achieved an undergraduate degree and above. 8.3% had achieved a PhD, 20.3% had a diploma, 25.7 % with a master degree while 45.6% had achieved and undergraduate degree. Correlation analysis would indicate any association between level of education and financial literacy as well as retirement preparedness.

**Table 5: Number of years worked of respondents**

Number of years worked	Frequency	Percent
Less than 1	5	2.1
1 - 5	50	20.7
6 - 10	55	22.8
11 - 15	49	20.3
16 - 20	29	12.0
20 and above	53	22.0
Total	241	100.0

Source: Field data

The study sought to establish the duration that each of the respondents had worked in the current institution/organization. It was established that 20.7% had worked for 1 – 5 years, 20.3% for 11 – 15 years, 12% for 16 – 20 years and 22% for 20 and above years. Majority of

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the employees making up 22.8% had worked for 6 – 10 years while a minority of 2.1% had worked for less than 1 year. The years before retirement are considered precious since this is the time employees have to build their investments in preparation for retirement. From the analysis, majority of the employees have worked for sufficient years to allow them to build capacity for retirement.

**Table 6: Monthly income of respondents**

Monthly employment income		
	Frequency	Percent
Less than 30,000	49	20.3
31,000 - 50,000	119	49.4
51,000 - 80,000	53	22.0
81,000 and above	20	8.3
Total	241	100.0

Source: Field data

From the descriptive statistics, the monthly employment income distribution of the respondents was as follows; 20.3% of the respondents earn less than 30,000. A total of 49.4% accounting for the largest percentage earns a monthly income of between 31,000 to 50,000. 22% of the respondents earn 51,000 to 80,000 and finally, only a small percentage of about 8.3% earn above 80,000. From the analysis, it can be seen that a majority of employees are earning a monthly wage that is sufficient to help them meet their daily needs and still be able to save some funds for retirement.

### Level of financial literacy among West Kenya Union Conference employees

**Table 7: Time value of money awareness as a measure of financial literacy**

Summary of score on time value of money awareness			
	N	Mean	Std. Deviation
Time value of money awareness	241	4.22	1.167
Valid N (list wise)	241		

Source: Field data

The question on time value of money awareness sought to test the extent to which the respondents know that the value of money today is greater than the value of the same amount of money in the future. With five as the maximum score possible, it was established that the employees of WKUC are literate when tested on the grounds of time value of money awareness. Together, they achieved a mean score of 4.22 out of a possible score of 5 with a standard deviation of 1.167 showing that this result is true to many of the respondents since the standard deviation is close to zero.



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**Table 8: Interest rate knowledge as a measure of financial literacy**

Summary of score on interest rate knowledge			
	N	Mean	Std. Deviation
Interest rate knowledge	241	4.49	1.103
Valid N (list wise)	241		

Source: Field data

The question on interest rate knowledge sought to test the extent to which the respondents understand that interest rate is the price a lender charges an employee for the use of credit expressed as a percentage of the principal. With five as the maximum score possible, it was established that the employees of WKUC are literate when tested on the principle of interest rate. Together they achieved as mean score of 4.49 with a standard deviation of 1.103 showing that this result is true to many of the respondents since the standard deviation is close to zero.

**Table 9: Numeracy knowledge as a measure of financial literacy**

Summary of score on numeracy knowledge			
	N	Mean	Std. Deviation
Numeracy knowledge	241	4.68	.867
Valid N (list wise)	241		

Source: Field data

The evaluation on numeracy knowledge sought to test the extent to which the respondents were able to work out a simple financial calculation. With five as the maximum score possible, it was established that the employees of WKUC are literate when tested on the principle of interest rate. Together they achieved a mean score of 4.68 with a standard deviation of 0.867 showing that this result is consistent to many of the respondents since the standard deviation is close to zero.

**Table 10: Inflation knowledge as a measure of financial literacy**

Summary of score on inflation knowledge			
	N	Mean	Std. Deviation
Inflation rate	241	3.83	1.345
Valid N (list wise)	241		

Source: Field data

The question on inflation knowledge aimed at finding out whether employees of WKUC know that inflation is the rise or fall of prices over a given period. With five as the maximum score possible, it was established that the employees of WKUC are moderately literate when tested on the principle of inflation. Combined they achieved a mean score of 3.83 with a standard deviation of 1.345 showing that this result is consistent to many of the respondents since the standard deviation is close to zero.

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### **Level of resourceful preparedness for retirement among West Kenya Union Conference employees**

**Table 11: Saving behavior as a measure of resourceful preparedness for retirement**

Summary of score on saving behavior			
	N	Mean	Std. Deviation
Saving behavior	241	2.87	.752
Valid N (list wise)	241		

Source: Field data

*The question on saving behavior was aimed at measuring whether employees are engaged in the repeated action of reserving funds for future use achieved by reducing the consumption of disposable income. With four as the maximum score, it was established that employees of West Kenya Union Conference are not fully engaged in saving. A mean score of 2.87 showed this, with a standard deviation of 0.75.*

**Table 12: Budgeting as a measure of resourceful preparedness for retirement**

Summary of score on budgeting			
	N	Mean	Std. Deviation
Budgeting	241	2.97	.716
Valid N (list wise)	241		

Source: Field data

The question on budgeting was aimed at measuring whether employees create a plan on how money is spent. With four as the desired score, it was established that employees of West Kenya Union Conference are not badly off when it comes to budgeting. A mean score of 2.97 showed this, with a standard deviation of 0.716

**Table 13: Asset acquisition ability as a measure of resourceful preparedness for retirement**

Summary of score on asset acquisition ability			
	N	Mean	Std. Deviation
Asset acquisition ability	241	2.92	.763
Valid N (list wise)	241		

Source: Field data

The question on saving behavior was aimed at measuring whether employees are engaged in acquisition of property that has value. With four as the desired score, it was established that employees of West Kenya Union Conference are averagely engaged in asset acquisition. A mean score of 2.92 showed this, with a standard deviation of 0.763.

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**Relationship between financial literacy and resourceful preparedness for retirement among West Kenya Union Conference employees**

**Table 14: Correlation analysis between financial literacy and resourceful preparedness for retirement**

Correlations		Financial literacy	Resourceful preparedness for retirement
Financial literacy	Pearson Correlation	1	.136*
	Sig. (2-tailed)		.035
	N	241	241
Resourceful preparedness for retirement	Pearson Correlation	.136*	1
	Sig. (2-tailed)	.035	
	N	241	241

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

Source: Field data

The relationship between financial literacy and resourceful preparedness for retirement was investigated through bivariate correlation technique. Pearson’s correlation is a measure of the strength and direction of association that exists between two variables. A Pearson product-moment correlation was run to determine the relationship between financial literacy and resourceful preparedness for retirement. There was a moderate, positive correlation between financial literacy and resourceful preparedness for retirement, which was statistically significant ( $r = .136$ ,  $n = 241$ ,  $p = .035$ ).

**Conclusion on hypothesis**

Since the relationship is statistically significant, the researcher therefore rejects the null hypothesis and proposes that there is a significant relationship between financial literacy and resourceful preparedness for retirement. The findings of this study is consistent with the findings of Agunga et al., 2016 and Lusardi & Mitchell, 2011 proposing that financial literacy has a significant influence of resourceful preparedness for retirement. The findings show the need for West Kenya Union Conference institutions and organizations to provide financial literacy training seminars in order to resourcefully equip their employees for retirement.

**Conclusion**

The findings of this study paint an encouraging picture of the current state of financial literacy in West Kenya Union Conference. Many respondents possess key knowledge on financial concepts and hence they ultimately plan for retirement. This is important because being able to develop and implement a retirement plan is key to retirement security. According to the findings of the study, it can be concluded that the majority of the participants were ‘to a great extent’ financially literate.

Further, it was noted that most employees are aware of time value of money concept, interest rate and were able to compute a simple financial question but they performed

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averagely on the concept of inflation knowledge. Therefore, employers and other policy holders need to take measure to ensure that awareness is create about inflation knowledge.

On the other hand, employees of West Kenya Union Conference use budgets to plan their spending. They acquire assets that have value in preparation for retirement. The down side is that the employees are not engaged in saving as a measure of resourceful preparedness for retirement.

As observed, there was a significant association between financial literacy and resourceful preparedness for retirement. The more financially literate an individual is, the more resourcefully prepared they are for retirement.

### **Recommendations for policy**

The study recommends that all organizations/institutions should formulate policies and develop programs on education and training on financial literacy to progressively equip employees to be resourcefully prepared for retirement. This will help to minimize old age poverty.

A minimum education level of master's degree would be recommended for the employees. This is because the level of retirement preparedness is optimal at master's degree level. The level of retirement preparedness is low in females as compared to men. This calls for campaigns to encourage women to enhance their knowledge on financial literacy, which will ultimately help to enhance resourceful preparedness for retirement. Additionally, the higher an employee earns, the more prepared they are for retirement. Thus, a higher monthly income encourages resourceful preparedness for retirement.

It is recommended that financial literacy programs should be offered regularly to the employees as the study indicates that the more financially literate an employee is, the more resourcefully prepared they are for retirement.

### **Recommendation for further study**

This study focused on the influence of financial literacy on resourceful preparedness for retirement among employees of West Kenya Union Conference organizations and institutions. It is recommended that similar research should be replicated in other organizations that are not church based and the results be compared so as to establish whether there is consistency of the findings of this study.

The study focused on regular employees since they have the assurance of retiring. There are other categories of employees within the organizations/Institutions. It is recommended that this study be replicated and tested on casual and contract employees to find out if they are equally resourcefully prepared for retirement.

This study focused on resourceful preparedness for retirement as the dependent variable and financial literacy as the independent. It is therefore recommended that further studies be carried out to determine what other variables influence resourceful preparedness for retirement other than financial literacy.

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