

The effect of financial literacy on financial planning of employees: a case of  
Mumias sugar company in  
Kenya

by

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THE EFFECT OF FINANCIAL LITERACY ON FINANCIAL PLANNING  
OF EMPLOYEES: A CASE OF MUMIAS SUGAR COMPANY IN  
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In accordance with Daystar University policies, this thesis is accepted in partial  
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## DECLARATION

THE EFFECT OF FINANCIAL LITERACY ON FINANCIAL PLANNING  
OF EMPLOYEES: A CASE OF MUMIAS SUGAR COMPANY IN  
KENYA.

I declare that this thesis is my original work and has not been submitted to any other college or university for academic credit.

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## LIST OF ABBREVIATIONS AND ACRONYMS

- ANZB - Australia and New Zealand Banking  
DB - Defined Benefit  
DC - Defined Contribution  
DHS - Dutch Household Survey  
FSD - Financial Sector Deepening  
FSP - Financial Service Providers  
HRS - Health and Retirement Survey  
IDA - Individual Development Accounts  
IRA - Individual Retirement Accounts  
MW - Megawatts  
OECD - Organization for Economic Corporation and Development

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## ABSTRACT

The main thrust of this study was to establish the effect of financial literacy on financial planning of employees. The three key objectives were determining the effect of financial numeracy and financial knowledge on employees' financial planning and establishing the nature of relationship between financial literacy and financial planning. The study employed a descriptive survey design targeting all employees of Mumias Sugar Company and proportionate stratified random sampling was used to obtain a representative sample of 125 employees to study the relationship under investigation. Test-retest method and content validity were done to ensure reliability and validity. Using factor analysis, cross tabulation and correlation analysis, the study noted the following findings; level of financial literacy -that encompasses financial knowledge and financial numeracy- had a significant positive impact on financial planning aspects such as investment, saving and retirement; financial literacy had a strong positive correlation with the three financial planning aspects under investigation with the greatest magnitude being with savings plan. This confirmed the long held economic tradition that savings represent the key factor explaining investments and other financial planning aspects that drive economic development. However, the level of financial numeracy, savings and stock market participation was found to be low. The study recommended designing and implementing various target-specific financial education programs to be administered across various employee age-groups in order to address the disparity in saving plans. It was also recommended that further research be carried out to parse out the separate impact of behavioural biases on financial planning.

### DEDICATION

This work is dedicated to all my family members for their continuous support and encouragement during this study. Most specifically, I dedicate it to my late grandmother Martha who did not live to see the culmination of this but whose support remains invaluable.

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