EFFECT OF FINANCIAL LITERACY ON PERSONAL FINANCIAL MANAGEMENT AMONG EMPLOYEES OF FINANCIAL AND NON FINANCIAL SECTOR IN JIMMA TOWN

A THESIS SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES OF JIMMA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS FOR THE PARTIAL FULFILLMENT OF THE AWARD OF MSC DEGREE IN ACCOUNTING AND FINANCE

BY: ASHENAFI DEGAFU

Under the supervision of

Dr. Matewos Kebede

And

Mohammed Sultan

JIMMA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
SCHOOL OF GRADUATE STUDIES
DEPARTMENT OF ACCOUNTING AND FINANCE

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Approved by the board of examiners

Advisor Signature

Examiner Signature

Examiner Signature

DECLARATION

I the under signed declare that this study entitled "*EFFECT OF FINANCIAL LITERACY ON PERSONAL FINANCIAL MANAGEMENT AMONGFINANCIAL AND NON-FINANCIAL EMPLOYEEES IN JIMMA TOWN* **"**Is my original work and has not been presented for degree in other universities and that all sources of materials used for the study have been dually acknowledged.

Declared by:

Name: **Ashenafi Degafu**

Signature:

Date: 31/06/2020

CERTIFICATE

This is to certify that the thesis entitled **"***EFFECT OF FINANCIAL LITERACY ON PERSONAL FINANCIAL MANAGEMENT AMONGFINANCIAL AND NON-FINANCIAL EMPLOYEEES IN JIMMA TOWN***"***submitted to Jimma University for the award M.Sc. In Accounting and Finance and is a record of research work carried out by Mr. Ashenafi Degafu under our guidance and supervision*

Therefore we hereby declare that no part of this thesis has been submitted to any other university or institutions for the award of any degree or diploma.

Main Adviser's Name *Date* *signature*

Dr.Matewos Kebede ____________________ -------------------

Co-Advisor's Name *Date* *Signature*

Mr. Mohammed Sultan ______

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ABSTRACT

Financial literacy is growing in leaps and bounds in the world because of the financial intricacies that have increased in the world economy. The main purpose of this study was to examine the effect of financial literacy on personal financial management among employees of financial and non-financial sector Jimma town. In this study both descriptive and explanatory research design was used. The population of this study was all employees of financial and non-financial sector. Multistage sapling technique was used to select respondents from financial and non-financial sector. First purposive sampling was used to select the government employees of financial and non-financial sector in Jimma town, then the respondents were grouped in to two strata, while convenience sampling technique was used to select 282 respondents from each sector. A structured questionnaire was delivered to the respondents and collected after completion. The data was analyzed using the Statistical Packages for social Sciences (SPSS ver. 24). Independent sample" t-test was used to examine the data with the objective of determining whether there is a significant relationship between financial and non-financial sector employees on financial literacy indicators. The data is presented through tables. The study found that the financial literacy positively affects personal finance management among the employees of financial and non-financial sector Jimma town, which leads to a higher investment practice, more diversified savings and a lower debt percentage. The researcher also sought to establish effects of gender, age, marital status, work experience, income, Level of education and area of specialization on personal financial management. The findings conclude that these factors strongly influenced the personal financial management. Based on the research findings, the researcher recommends both financial and non-financial sector to have various financial literacy training programs and financial planning programs to their employees so as to match the financial literacy of the employees to their propensity to save and invest.

Key words: *Financial literacy, Employees, Personal financial management*

ABBREVIATIONS

ANOVA Analysis of Variance

INFE International Network of Financial Education

OECD Organization of Economic Co-Operations and Development

SPSS Statistical Package for Social Sciences

USIU United States International University

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CHAPTER ONE

1. INTRODUCTION

1.1 Background of the Study

The financial systems of the 21st Century have been growing with speed, sophistication and becoming more complex 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 (Mitchell, 2011).

The role played by governments and employers in managing investments on behalf of individuals has shrunk significantly in the recent past as a result of changes in the social support structures across the world. This has increased individuals‟ responsibility in managing their own finances and securing their financial freedom. On the other hand, the financial world has becomes complex today when compared to the generation before where a simple knowledge of how to maintain a checking and savings account at local banks and financial institutions was more than enough. But now, consumers have to differentiate between a wide range of financial products and services available in the modern financial market (Greenspan, 2005).

(Garman E. T., 1996) Found that employees in the United States were stressed about their poor financial behaviors that impacted negatively on their job productivity. Financial problems resulting from poor personal financial management is known to affect individual productivity at the workplace.

Financial literacy is defined as ones‟ knowledge of facts, concepts, principles, and technological tools that are fundamental to being smart about money (Garman, 1996).

While several widely used definitions of financial literacy exist, all of them generally imply the ability of individuals to obtain, understand and evaluate information required to make decisions to secure their financial future as best as possible. After analyzing a host of papers on the subject, (Huston, 2010) proposed that financial literacy must also include application of financial knowledge; the argument being that absent demonstrated ability to apply financial knowledge, an individual cannot be regarded as being financially literate.

After due consideration of different views and the feasibility of using the definition for research, the OECD definition of financial literacy was adopted for the study, which defines it as, a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial well-being (OECD-INFE, 2011).

The key competencies of financial literacy are: money basics, budgeting, saving and planning, borrowing and debt literacy, financial products, and recourse and self-help. The need for financial literacy has become increasingly significant with the deregulation of financial markets and the easier access to credit, the ready issue of credit cards, the rapid growth in marketing financial products. According to (Mandell, 2008), there should be more emphasis on increasing the level of financial literacy as this would help in achieving many objectives such as promoting public knowledge and understanding of the financial system as well as enhancing consumer protection and eliminating financial crime.

According to (Ambre, 2012), financial literacy starts at home itself where children are educated about how to handle money such as to save and spend wisely. Personal finance refers to as all financial decisions and activities that a person could make and undertake. This could include budgeting household incomes and expenditures, savings, investments, mortgages, insurance and all other decisions that require money. The most important factor of personal finance management is financial planning, which should involve analyzing the financial position and setting of short-term and long-term goals.

According to (Kempson, E., Anderloni, L., Bayot, B. & Iwanicz-Drozdowska, M.,, 2008), money management skills are influenced by three important factors; financial control, making ends meet and approaches to financial management.

Few studies have been undertaken on financial literacy and its effects on personal financial management in Ethiopia. The study conducted by (Kabede, 2015) on urban dwellers aimed at examining the effect of financial literacy for personal financial management practices. The descriptive statistics employed in the study showed that urban dwellers in Addis Ababa, Ethiopia has a low to moderate level of financial literacy and personal financial management practices index.

(Tsigerada.A, 2014), carried a study in Addis Ababa on Financial Literacy and Saving Behavior of Women expressed that, the computation of the income and expenditure of women in the study area showed the availability of opportunities to save but could not be saved to the expected standard . Hence, as to the findings of the study, this standard can be achieved when the current literacy level of women is improved through both formal and non-formal trainings.

Similarly other conducted research gives more emphasis on banking industry and some financial sector in different places so, it is important to have good skills of personal finance management also for non financial employees in order to make correct day to-day decisions. Ability to make these decisions more responsibly would improve the wellbeing of the households. But for all this, there is a need for financial literacy, which would help understand various financial services and make financial decisions. Similarly this study were undertaken in Ethiopia specifically Jimma district to give more understanding on financial literacy and its effects on personal financial management for employees of financial and non- financial sector.

1.2 Statement of the Problem

Today, every country is struggling for economic prosperity and it is especially hard for young people who have never learnt how to budget, plan to achieve financial security or be involved financially enough. In recent times, concern for the levels of financial literacy in society as a whole has grown considerably and is expected to grow even more in the future (Kelly, 2002).

(Lusardi, AMitchell, O. S., & Curto, V.,, 2010), investigated financial literacy among the young in USA using data collected through the National Longitudinal Survey of Youth in 2007-08. The research questions they sought answers to related to preparedness of the young to make sound financial decisions, determinants of financial literacy among the young and policy initiatives needed to improve financial literacy of the young. They found that the level of financial literacy among the young is low, an inference that is consistent with findings across the world that despite concerted efforts to improve financial literacy, it continues to be inadequate among the young. Also they found that the level of financial literacy was significantly influenced by socio-demographic attributes hence the family financial situation and sophistication.

Several studies were done on financial literacy across the world. (Doyo, 2013) Carried out a study on the effect of financial literacy on pension preparedness among members of the informal sector in

Kenya; he found that financial literacy had a significant positive relationship on pension preparedness among the participants in the informal sector.

(Gillen &Loffler 2012) conducted a survey on students who took the high school personal finance curriculum and found that, more than 60 percent of the respondent`s self-financial behavior improved after taking financial curriculum and they had made changes in their spending behavior. A study done by (Asarta; Hill; &Meszaros, 2014) that uses the Keys to Financial Success curriculum (called the Keys) to assess high school students‘ financial literacy showed that the curriculum increased students‘ financial knowledge and there was a 61 percent change between the pre-test and post-test.

A study conducted by (Nyamute &Maina , 2011), on the effect of financial literacy on personal financial management practices of employees of financial and banking institutions found that financial literacy indeed influences personal financial management practices and higher financial literacy leads to better personal financial management practices. (Olima, 2013) Conducted a study on the effect of financial literacy on personal financial management on Kenya Revenue Authority employees and found similar results.
Despite the significance of financial literacy on personal financial management, limited studies were conducted in Ethiopia. In addition to limitation, the conducted study gives more consideration on employees of financial sector i.e. banking industry, Small and medium enterprises and some employees of Share Company. These employees enjoy reasonable financial literacy courtesy of the positions they hold which expose them to enormous financial knowledge obtained through; internal training and seminars, on the job training and interactions with highly financial literate customers; despite themselves having been drawn from various academic and professional backgrounds. From such a background, these employees have historically been vital in offering financial advisory services that has transformed the livelihood of their customers. But there were no studies conducted by considering both employees of financial and non-financial sector.

So the main objective of this study is to analyze the effect of financial literacy on employee’s personal financial management.

The question that this study sought to answer is whether financial literacy obtained and exhibited by the financial and non-financial sector employees in serving their customers have actually positively impacted their personal financial management. This study therefore sought to bridge the gap by undertaking a comparative study on the effect of financial literacy on management of personal finances among the employees of financial and non-financial sector in, Jimma town.

1.3Research Question

The following research questions were answered in this study:-

- To what extent the financial literacy established among employees of financial and non-financial sector?
- What is the practice of personal financial management among employees of financial and non -financial employees?
- What is the relationship between financial literacy indicators and personal financial management practices between employees in the finance and non-finance?
- Do financial knowledge, behavior and attitude influence personal financial management?

1.4 Research Objective

1.4.1 General objective

The main objective of this study is to examine the effect of financial literacy on personal financial management among employees working in financial and non-financial sector in Jimma town.

1.4.2 Specific objective

- To measure financial literacy level of employees in the finance and non-finance sector in Jimma town
- To describe personal financial management practices among employees in the finance and non-finance sector in Jimma town
- To examine the relationship between financial literacy practices and personal financial management practices between employees in the finance and non-finance
- To evaluate the influence of financial knowledge, behavior and attitude on management of personal finances among employees of financial and non-financial sector in Jimma town.

1. 5 Development of Hypothesis based on the objective of the study

The main objective of the study is to examine the effect financial literacy on personal financial management in case of Jimma town. Continent with specific objective specified in chapter one the following ten hypothesis was developed.

Ho1*: Gender will have a positive effect on personal financial management*

Ho2*: Age will have no effect on personal financial management*

Ho3*: Marital Status will have no effect on personal financial management*

Ho4*: Education level will have a positive effect on personal financial management*

Ho5*: Income of employees will have a positive effect on personal financial management*

Ho6*: Area of specialization will have a positive effect on personal financial management*

Ho7*: Work experience will have a positive effect on personal financial management*

Ho8: *financial attitudes will have a positive effect onpersonal financial management behavior.*

Ho9*: Financial knowledge will have a positive effect on personal financial management*

Ho10: Financial behavior will have a positive effect on personal financial management

1.6 Significance of the Study

The findings of this study will be important not only for employees of financial and non-financial sector in Jimma but also other sectors that uses the study findings to identify the critical areas of applying financial literacy in their personal financial management.

- ✓ Important for employees to formulate strategies for managing their earnings, expenditures and saving or investments and general financial wellbeing of young people while in employment.
- ✓ The findings of this study is critical in developing strategies of cultivating a culture of prudent financial management among employees that would lead to financial freedom hence better motivation to deliver in their roles.

- ✓ The findings will also be important to the researchers as it will add to the wide knowledge in finance especially on personal financial management.
- ✓ The researchers and academicians evaluate the study with an aim of identifying a gap that needs further research.
- ✓ Both the Ethiopian and foreign governments may also use the research findings to formulate policies and programs that are able to promote finance literacy that would lead to better financial management to encourage both financial and non-financial sector. This may be done by promoting saving, debt and credit management as well as financial security such as pension plans and retirement preparedness.
- ✓ Generally literacy on finance is useful for employers, managers, customers, creditors, government, borrowers, and for youngsters to save their money and generate more income by spending wisely.

1.7 Scope of the study

As the main objective of this study is to analyze the effect of financial literacy on personal financial management among employees of financial and non-financial sector, the study were limited in Jimma town aiming that different financial and non-financial sector exist in Jimma town.

1.8. Limitation of the study

The study to a limited extent was hindered by a number of challenges, like uncooperative respondents who feared exposing their literacy levels. However, the researcher assured the respondents that the study is for academic purposes only and that the information given by the respondents would be treated with utmost confidentiality. Further, the researcher obtained an introduction letter from the university indicating that the study was purely for academic purposes. Other respondents said they did not have adequate time to take part in the study as a result of their busy schedules.

1.9. Organization of the Paper

The research paper would consist of five chapters. The rest of the chapters were organized as follows: Chapter two deals with review of related literature. Chapter three has dealt with research design and methodology. The result of this study were presented and discussed in chapter four. The final chapter deals with conclusion of the study, summarizing and introducing direction for future research.

1.10 Definition of Terms

Financial Literacy according to (OECD-INFE, M, 2011), financial literacy is the combination of consumers/ 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 help, and to take other effective actions to improve their financial well-being.

Finance Management Financial management is an area of financial decision-making harmonizing individual motives and enterprise goals (Weston & Brigham 1972).

Personal Finance Personal finance is the study of personal and family resources considered important in achieving financial success. Personal financial management refers to the management of money in its various forms to ensure short and long-term financial security. (Garman E. T., 2011).

Financial knowledge:-Financial knowledge is defined as the understanding of key financial terms and concepts needed to function daily (Huston S. , 2017). Financial knowledge was defined by (Potrich; Kelmara; &Wesley, , 2016), as a particular kind of capital acquired in life through the ability to manage income, expenditure and savings in a safe way. The Organization of Economic Co-Operation and Development (OECD), added that financial knowledge is an important determinant of whether the individual is financially literate, involving questions related to concepts such as simple and compound interest, risk and return and inflation (OECD-INFE, 2011).

Financial Attitude: - is a combination of concepts, information and emotions about learning, which in turn results in readiness to react favorably and leads to more effective decisions that generate profits for business owners (Potrich, 2016)

Financial Behavior:- Financial behavior as defined by (Zeynep, 2015), is the capability to capture of understanding overall impacts of financial decisions on one's circumstances and to make the right decisions related to the cash management, precautions and opportunities for budget planning.

CHAPTER –TWO

LITERATURE REVIEW

2.1 Introduction

This chapter covers the review of the related literature on financial literacy and personal financial management. This chapter includes theoretical review, empirical review and Conceptual framework.

2.2 Theoretical Review

2.2.1 Learning Theory

Learning theory evolved most notably with the work of Skinner who determined that once the behavior is associated with a consequence, whether a reinforcement or punishment, the likelihood of the action continuing changes. Skinner argued that positive reinforcement and punishment are not equal; with the former providing longer lasting results and the latter having negative side effects (Skinner, 1953). Critics of learning theory question the greater scientific basis of behaviorism over psychosocial or psychoanalysis theory and the ability to explain complex human behaviors by only considering the observable and ignoring the important roles of cognitions and emotions (Breger, L. & James L. M., 1965). Additionally, because behavioral experiments often take place in the laboratory, critics question learning theory's application to describing behavior that occurs in a social reality (Bandura, 1977).

Nevertheless, learning theory advanced investigations of human behavior by focusing attention on the observable, thus emphasizing the importance of testing behavior propositions. It acknowledges the power of prerequisite conditions and the anticipated consequences, whether positive or negative, in influencing people's actions. Thus, in contrast to theories that emphasized the power of early development, learning theory emphasizes the possibility of lifelong learning during which the stimulus for or the consequences of behaviors can be altered (Goldhaber, 2000).

2.2.2 Goal Setting Theory

More recently, expectancy theory has been integrated with goal setting theory (Hollenbeck & Klein, 1987). Goal setting theory is grounded in the belief that conscious goals and intentions drive results. Based on the goal setting theory of motivation (Locke, 1986), find that individual goals are likely to determine how well they perform to related tasks. Specifically, clearly defined and more challenging goals yield higher performance than vague, easy or do-your -best goals. To be effective, goal setting theory assumes that individuals must be committed to the goal, must get feedback and must have the ability to perform the task. This means that financial literacy programs should be more effective when they are motivated by perceptions and concerns about financial well-being later in life. Motivational theory suggests that measures of financial literacy should be related to financial behavior that is in the consumers‟ best interests.

(Hilgert, M., Hogarth, J., & Beverly, S., 2003), formed a *Financial Practices Index* based upon (self-benefiting) behavior in cash flow management, credit management, saving and investment practices. When they compared the results of this index with scores on financial literacy quiz, they found a positive correlation between financial literacy scores and Financial Practices Index Scores. Their results suggest that financial knowledge is related to financial practices.

2.2.3 The Expectancy Theory of Motivation

Motivation has long been recognized as a key driver of individual behavior. Starting as early as (Tolman ; Lewin, 1932), expectancy theory ties perception to behavior. Since then, extensive academic research has been focused on developing the understanding of motivation.

Further work by (Vroom, 1964; Samuelson, 1967) on the utility model provides a theoretical grounding for explaining the motivational influences underlying human behavior as a function of expectancy, instrumentality and valence or utility.

Expectancy relates to the expectation or likelihood that specific actions or states of nature will yield a certain outcome, meaning that performance is based on effort. Instrumentality relates to the relation between performance and reward, meaning that outcome is based on performance. Valence and/or utility relates to the value of importance the individual places on the perceived outcome. Based on these theories, individuals are motivated by things that can successfully lead to valued outcomes (Mandel, L., & Klein, L.,, 2007).

Financial literacy imparts individuals with the skills and knowledge to help them make key decisions that affect their lives. According to this theory therefore, the impact of financial literacy programs depend on the expectations individuals have on the program and the expected reward of the outcome (Mandel et al, 2007). This means that if individuals perceive financial literacy to enhance the quality of their decisions, they would be motivated to partake of them and this improves on their long term perceived outcome.

2.2.1 Financial Literacy

Financial literacy is defined as ones‟ knowledge of facts, concepts, principles, and technological tools that are fundamental to being smart about money. While several widely used definitions of financial literacy exist, all of them generally imply the ability of individuals to obtain, understand and evaluate information required to make decisions to secure their financial future as best as possible (Garman &Gappinger, 2008)

After analyzing a host of papers on the subject, Huston (2010) proposed that financial literacy must also include application of financial knowledge; the argument being that absent demonstrated ability to apply financial knowledge, an individual cannot be regarded as being financially literate.

After due consideration of different views and the feasibility of using the definition for research, the OECD definition of financial literacy was adopted for the study, which defines it as, a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing (OECD, 2011).

The need for financial literacy has become increasingly significant with the deregulation of financial markets and the easier access to credit, the ready issue of credit cards, the rapid growth in marketing financial products.

According to (Mandel L. , 2008), there should be more emphasis on rising up the level of financial literacy as this would help in achieving many objectives such as promoting public knowledge and understanding of the financial system as well as enhancing consumer protection and eliminating financial crime.

According to (Ambre, 2012), financial literacy starts at home itself where children are educated about how to handle money such as to save and spend wisely.

(Rezak .R., 2007), Proposed that most managers and specialists in human resources discipline should be provided with business acumen training. This will help them in making confident and informed recommendations as financial literacy courses are usually linked with business acumen courses. According to (Green, 2006), training and learning programs on financial literacy improve and make communication of financial information between employers and employees much easier and effective.

In recent years, financial literacy has gained the attention of a wide range of major banking companies, government agencies, community interest groups, and other organizations. Interested groups, including policy makers, are concerned that consumers lack a working knowledge of financial concepts and do not have the tools they need to make decisions most advantageous to their economic wellbeing. Such financial literacy deficiencies can affect an individual's or family's day to day money management and ability to save for long term goals such as buying a home, seeking higher education, or financing retirement. Ineffective money management can also result in behaviors that make consumers vulnerable to severe financial crises (Crain, 1992).

(Abraham .B. 2006), stated that financial literacy is the ability to make informed judgments and to take effective decisions related to the use and management of money.

(Atkinson, 2011; Messy, 2012; OECD2013), defined financial literacy as “a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing”.

(Lusardi, A. & Mitchell, O, 2013), also coined financial literacy as “ability to process economic information and make informed decisions about financial planning, wealth accumulation and debt management.

2.2.2 Effect of Financial Literacy on Personal Debt

Financial Literacy and Debt

The key Studies in the past have attempted to study the relationship between financial literacy and personal finance management in terms of personal debt. Personal financial management and personal debt have an impact on people's lives. This affects their personal lives and their work lives. Personal debt can directly affect whether a person can get a loan for their home, car or a child's education (Gudmunson, Fischer & Lambert,, 2013).

Evidence shows that those who are less financially literate are more likely to have problems with debt, less likely to save, more likely to engage in high-cost mortgages, and are less likely to plan for retirement. Without a certain level of financial literacy, consumers might not purchase the financial products and services they need and might be ill-equipped to fully appreciate their rights and responsibilities as financial consumers and to understand and 20 appropriately manage the variety of risks. Excessive indebtedness presents an important and widespread problem that endangers the financial well being of many individuals and households. A poor level of financial literacy is one of the factors that may influence debt behavior and contribute to an increase in indebtedness. Debt management is pegged on the ability of one to be financially literate hence their ability to make informed personal financial decisions on how to minimize their debts. Excess high debt levels are a propellant to one being susceptible to investment fraud, delinquency on credit cards and bankruptcy all of which are pointers to financial illiteracy in individuals (Kim, 2000).

2.2.3 Financial Knowledge and personal financial management

The first dimension of financial literacy is basic financial knowledge. Financial knowledge is defined as understanding of key financial terms and concepts needed to function daily in the society. The concepts of financial knowledge were related with understanding the basic concepts of the following terminologies and numeracy skills which are applicable in day to-day financial decisions.

This includes knowledge about the time value of money, inflation, interest, ability to compute division, simple and compound interest, understanding the concept of risk and return trade off. The term financial knowledge is defined as sufficient knowledge about facts on personal finance and is the key to personal financial management behaviors (Garman & Forgue, 2006).

The importance of financial literacy is obvious as it is typically used as an input to a model that determines the need for financial education and explained variations in behavior and financial outcomes such as savings, investment, and credit behavior ((Idris l., 2013). The relationship of these two variables is conclusive; with all studies find that having financial knowledge does influence individuals to behave in a more financially responsible ways (Robb. 2010; Woodyard, 2011; Zakaria et al., , 2012).

The consumers who are financially knowledgeable are more likely to behave in financially responsible way (Hilgert, M., Hogarth, J, 2002).

Financial knowledge is an important constituent in the making of financial decisions for individuals and businesses. It is a generally held argument that improved financial knowledge is said to result in more responsible financial behavior and hence effective financial decisions. (Tang, Baker, Peter, 2015).

Empirical evidence has shown that a higher level of financial knowledge is positively related to individuals engaging in a number of "best practice" financial behaviors, such as possessing an adequate emergency fund, monitoring credit reports, avoiding checking account overdrafts, avoiding revolving debt, owning a dedicated retirement account, and having insurance protection (Robb, 2014).

A common solution to lack of financial knowledge is the prescription of financial education with the general assumption that improved knowledge will result in more effective financial decision-making (Robb &Woodyard, 2011). Policymakers, the financial service industry and educators have promoted numerous initiatives to combat low levels of financial knowledge through promoting financial education programs (Tang & Peter, 2015).

Financial education is a process of improving comprehension regarding financial products, associated concepts and risks by individuals in such a way that the individuals can develop the abilities and the confidence necessary to make secure and fundamental decisions to improve their financial wellbeing (OECD, 2013). It is a preventive measure, as it allows the individual to understand financial problems and manage personal finances in a satisfactory way, thereby avoiding indebtedness (Potrich et al, 2016).

2.2.4Financial Attitude and Personal Financial Management

Financial attitudes and preferences are essential elements of financial literacy (OECD, 2015). The literature argued that favorable attitude is relevant to translate financial knowledge and skill into financial behavior or actual practices. Therefore, financial literacy study frameworks usually incorporate items intended to measure financial attitudes to examine how the relationship between financial knowledge and attitude translates into financial behavior.

Financial attitude can be considered as the psychological tendency expressed when evaluating recommended financial management practices with some degree of agreement or disagreement (Parrota, 1998). A number of researches have concluded that financial attitudes play an important role in determining a person's financial behavior (Davies, E., & Lea, S. E, 1995).

Financial attitudes shape the way people spend, save, hoard, and waste money. Research conducted by (Furnham, 1984.), has indicated that many different factors influence attitude toward a particular behavior. The attitude has been defined as the degree to which a person has a favorable or unfavorable evaluation or appraisal of the behavior in question. Among attitudes that influence financial behavior are debt tolerance, money specific attitudes, unrealistic optimism, and level of financial knowledge. Psychological constructs, such as cognitive dissonance and locus of control have also been found to influence attitudes toward financial behaviors, more specifically credit borrowing. Of the attitudinal factors that are associated with debt, tolerance may be one of the most important.

(Davies et al, 1995), found that individuals who expected to make more money in the future were more tolerant of debt. When coupled with unrealistic optimism that many individuals have about their financial futures, this influences the level of debt tolerance to the point at which individuals tolerate levels of debt that have a negative impact on other aspects of their lives. They suggested that individuals, as a result of their young age and early stage in their career, are more tolerant of debt than the general population due to optimism that they will be in a good position to reconcile their debts in their later stages of their career.

There is a strong positive correlation between attitudes toward debt and the amount of debt people incur. This finding is consistent with dissonance theory, which would suggest that people who have a positive or accepting view of debt tend to take on more debt because in doing so they are not contradicting their beliefs. By accepting one‘s debt, one is able to avoid feeling like a hypocrite or being seen as one (Hogg &Terry, 1999).

Economists have become interested in studying financial literacy and the effects of financial attitudes. (Wagner, 2015) highlighted that better financial decisions are made when the decision maker is informed and hence a positive long-term effect in consumption and in profitability for consumers and managers respectively. Financial attitude of business managers plays significant role in determining performance of the business.

Research has shown that financial attitude is linked to ability of business to obtain resources and capabilities, competitive strategic decisions, competitive advantage and performance outcomes. Firms with better financial attitude have more competitive advantage in accessing external funding. Financial attitudes and preferences are essential elements of financial literacy. The literature argued that favorable attitude is relevant to translate financial knowledge and skill into financial behavior or actual practices. Financial literacy study frameworks usually incorporate items intended to measure financial attitudes to examine how the relationship between financial knowledge and attitude translates into financial behavior (Abiodun, 2016).

2.2.5 Management of Personal Finances

Personal finance refers to as all financial decisions and activities that a person could make and undertake. This could include budgeting household incomes and expenditures, savings, investments, mortgages, insurance and all other decisions that require money. Components of personal finance might include savings accounts, credit cards and consumer loans, retirement planning, investments and insurance policies and income tax management. Personal financial management is the process of planning spending, financing, and investing to increase the profit and to optimize the financial situation. In order to achieve the intended goals of a business unit, proper financial plan should specifies the financial goals, describes the spending, financing, investing plans (Madura J., 2007).

Financial Planning

The most important factor of personal finance management is financial planning, which should involve analyzing the financial position and setting of short-term and long-term goals. Personal finance is the application of the principles of finance to the monetary decisions of an individual or family unit. It addresses the ways in which individuals or families obtain, budget, save, and spend monetary resources over time, taking into account various financial risks and future life events.

Financial experts agree that while people have much more money today than they did generations ago, the amount of knowledge on how to manage that money hasn't kept pace- not at all. Taking charge of planning and managing our finance and putting it into implementation is very important for every individual. We must know how to take control of our money. This is not only to set up our household budget but also to save for the future as well as plan for our retirement and invest for our better future. This is also important as every individual would like to live debt free and not going through stressful life, working until our old age just to survive and educate our children. Every human being should have this awareness and know the importance of their financial planning and management (Maura et al, 2012).

Study by (Marzieh, 2013), revealed that education is positively related with financial literacy and financial wellbeing. Level of formal education is a controllable factor that significantly affects the income. More high education tends to get great earning in their life. Less knowledgeable investors are more prone to hold a widely diversified asset portfolio, financial knowledge has also been found to positively reinforce financial satisfaction.

Financial literacy improves the exposure and understanding of the risks associated with the complexity of retirement, insurance and investment planning. Thus, higher education levels are expected to be associated with higher financial awareness among people. Financial literacy was strongly related to socio demographic characteristics and family financial sophistication. Specifically, a college educated male whose parents had stocks and retirement savings was about percentage points more likely to know about risk diversification than a female with less than a high school education whose parents were not wealthy (Lusardi et al, 20006).

According to Towanda Mitchell, financial management is handling our financial situation in a responsible manner to achieve financial independence (UMBC Money Matters Seminar, n.d). It deals with managing money in all areas of life.

Financial management includes personal financial management and organization management. Personal financial management helps us to manage the finance of our home which includes budgeting, saving, investing, debt management and other aspects related to personal money where by an individual can achieve personal goals (Bimal ., & Bhatt,h, 2011)

In other words, personal financial management is the process of controlling income and organizing expenses through a detailed financial plan. Learning to keep track of money coming in, and tailoring the use of this money to fit expenses provides a systematic way and utilizing income (Joseph& Wiener, 2009).

Personal financial management is a key component to making our money work for us. This requires planning. Planning is the process of making a proper lay down procedure of doing things and following them to achieve the expected objectives or targets (ArticlesBase.com, 2012).

Financial planning is an evolving plan that changes as we grow in our career path and move on in our life stages, it is a plan that needs to be reviewed as the circumstances change for example getting married, buying a house and raising family. As our life goals and financial status changes, we will have to actively review our financial plans to see if we will be able to achieve the financial goals within the given time line (Career Success for Newbies.com, 2006).

Why is personal financial planning and management very important for every individual in this world? Personal financial management leads every individual to live a better life. The more successful we are with our finances, the better our lives will be either today or down in the line. Financial planning encompasses the ability of a person to understand the need for planning to cope up with future financial commitments such as retirement and unforeseen events calling for significant financial need. This means that a person with financial capability understands the need for identifying financial needs both in the short and long term and optimally allocates hardly earned financial resources across the life cycle. Financial planning practices include the saving practice, retirement planning, and investment practices. This indicator captures the behavior of intentionally or habitually putting away assets, as well as the magnitude of assets immediately available. People save in different forms, both in money (cash and accounts) and in tangible items that can store a value for a later date, such as a land, gold or livestock. Most individuals have a diverse portfolio of assets to satisfy different liquidity needs: cash in a bank or mobile account is ready for immediate emergencies, while commitment savings plans or livestock store value for longer term purposes (Ladha, 2017).

Debt Management Practices

The second domain of personal financial management is debt management. Good debt management practice is highly desirable for household financial stability. If properly used, personal debt can contribute to household financial prosperity but personal debt is not without risk. When used inappropriately, personal debt has a tendency to be the most important contributing factor to distress, financial difficulty or even bankruptcy, particularly when experiencing cash flow difficulties.

2.2.6 The Importance of Personal Financial Management

In our personal life, financial management helps us to create a comfortable life with an assurance of a secured future and freedom to spend money to keep us happy. The importance of financial planning and management is reflected in all areas of personal and business life. All individual no matter what their financial capacity is must learn and study financial management and adapt it to improve their life. The importance of personal financial management is, it enables to improve standard of living, which leads to good health and financial stress reduces considerably. Besides that, it also enables the individual to take better financial decision which reduces poverty, reduces debts and increases savings and investments (Bimal et al 2011).

In summary it is important for every individual to know the importance and benefits of personal financial management which leads to stress free, financial free and secured life. Many of us were not taught the importance of personal money management when we were young. We did not learn to save, invest, allocate or how to make the money work for us. By knowing the importance of personal financial management only is not enough, steps should be taken to plan, organize and manage our personal finances. Many of us are in debt, have no idea how we got here and do not know how to start digging ourselves out (Scott, 2009).

2.3 Empirical Review

In recent years, financial literacy has gained the attention of a wide range of major banking companies, government agencies, grass-roots consumer and community interest groups, and other organizations. Interested groups, including policymakers, are concerned that consumers lack a working knowledge of financial concepts and do not have the tools they need to make decisions most advantageous to their economic wellbeing. Such financial literacy deficiencies can affect an individual's or family's day-today money management and ability to save for long-term goals such as buying a home, seeking higher education, or financing retirement. Ineffective money management can also result in behaviors that make consumers vulnerable to severe financial crises (Crain, 1992).

A study sponsored by the State of Washington surveyed smaller and more limited samples to assess financial literacy among its residents (Moore, 2003) concluded that people know the least about financial instruments. Specifically, most respondents did not know the inverse relationship between bonds prices and interest rates. They were also uninformed about mutual funds, as many did not know what a no-load mutual fund was, or that mutual funds do not pay a guaranteed rate of return. More than one-third did not know that stocks had returned more than bonds over the last forty years, and many did not know about risk diversification. Finally, a large fraction of these respondents did not understand interest rates, which was especially troublesome since a subset of the respondents had applied for loans.

(Taqadus, 2013), conducted a study in Pakistan about the relationship of demographic factors with financial literacy. Positive relationship was found between financial literacy and various demographic variables i.e. age, occupation, qualification and marital status. Married, highly qualified, older in age and doing business were more financially literate.

(Jeyaram &Mustapha , 2015), conducted a study on Malaysian university students to find relationship of demographic factors and Personal financial management. The study found a positive relationship between demographic variables and Personal financial management.

Sharma, Joshi (2015), analyzed that marital status and age of women influenced the pattern of investment. Older women preferred to opt for safe and less risky investments as compared to unmarried and younger women. They was explored in a sample of 312 investors from in Pune city that age, gender, income educational qualification; marital status and designation influenced the selection of Investment Avenue.

(Potrich, 2016), investigated financial literacy as combination of three components i.e. financial knowledge, financial attitude and financial behavior. It was found on analysis that financial attitude and financial knowledge influenced positively the personal financial behavior.

(Devi, 2016), stated in a survey of Kamrup district in Assam that financial literacy level of an individual depends on one's financial needs and behavior .Structured questionnaire were used to conduct this survey on 100 women from rural and urban areas.50 working and 50 non working women were taken equally from both areas to find the difference in their financial literacy levels. T-test was applied to check the level of significance for hypothesis of rural urban financial literacy difference and for differences among working and non working women. Tabulation and percentages were also used for analysis.

(Atkinson, A.and F.Messy, 2012), Organization for economic corporation & development OECD INFE conducted a pilot study by using questionnaire on financial literacy in 14 countries .Purpose of the study was to analyze the financial knowledge, financial attitude, and financial behavior and to formulate policies for filling the gap between financial education and financial behavior. Survey was conducted within the countries and across the countries on the basis of socio –demographic factors i.e. gender, age and income. Lack of financial knowledge was found in many countries. Financial behavior can be improved than earlier. Financial attitude are different broadly.

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.

The findings in this study were found to be consistent with (Murithi, 2012), where they concluded that investors in India have basic knowledge of personal finance, however lack advanced knowledge. In a study conducted by (Bhushan, 2014), respondents having low financial literacy primarily invest in traditional and safe financial products and do not invest much in those financial products which are comparatively riskier and can give higher returns. Thus, it can be said that the financial literacy level of individuals affects investment preferences towards financial products.

According to (Huston, 2010), financial literacy such as health or general literacy might be conceptualized with two main dimensions: understanding personal finance knowledge and using it. Hence, it could be described as "measuring how well an individual can understand anduse personal finance-related information". It is also added that this description is coherent not only with other literacy concepts but also with definitions in the extant financial literature.

Similar findings are reported by (Agnew,2002; Szykman, 2005), who devised a financial literacy survey as part of an experiment held at a mid-size public university in the Southeast designed in the spirit of a John Hancock Financial Services Defined Contribution Plan Survey. Their respondents produced similar patterns: college employees, tourists, parents of students, and local construction workers, all knew little about mutual funds and they could not explain even simple differences between stocks, bonds, and money market mutual funds. This research also confirmed conclusions from surveys conducted by the Employee Benefit Research Institute.

For example, their survey in 1996 showed that only 55 percent of workers knew that US government bonds provided lower returns over the past 20 years, compared to the US stock market.

In Europe, Miles (2004) showed that United Kingdom borrowers display a weak understanding of mortgages and interest rates. The UK Financial Services Authority also concluded that younger people, those in low social classes, and those with low incomes, were the least sophisticated financial consumers.

(Christelis,2005) documented that, respondents in several European nations scored low on financial numeracy and literacy scales. Other studies have confirmed the positive association between financial knowledge and household financial decision making.

(Hilgerth et al, 2003), document a positive link between financial knowledge and financial behavior.

(Stango and Zinman , 2007), show that those who are not able to correctly calculate interest rates out of a stream of payments end up borrowing more and accumulating lower amounts of wealth.

Campbell (2006) has highlighted how household mortgage decisions, particularly the refinancing of fixed-rate mortgages, should be understood in the larger context of investment mistakes and their relation to consumers‟ financial knowledge.

Bucks and Pence (2008), examined whether home owners know the value of their home equity and the terms of their home mortgages. They show that many borrowers underestimate the amount by which their interest rates can change and that low-income, low-educated households are least knowledgeable about the details of their mortgages especially those with adjustable rate mortgages.

Further evidence of biases is provided by (Stango et al, 2006)who well document the systematic tendency of people to underestimate the interest rate associated with a stream of loan payments. The consequences of this bias are important: those who underestimate the annual percentage rate (APR) on a loan are more likely to borrow and less likely to save.

Study done by (Olima, 2013), on the effects of financial literacy on personal financial management on Kenya Revenue Authority employees in Nairobi and concluded that on the aspects of financial literacy, the respondents were „to a great extent‟ literate and aware that they affect personal financial management. However, on the issue of retirement plans, estate planning and credit and other liabilities most respondents were „to a less extent‟ literate and consider them less important. He concluded that that surely the participants were „to a great extent‟ aware that financial literacy indeed affects personal financial management among the Kenya Revenue Authority employees.

(Kempson, E., Anderloni, L., Bayot, B. & Iwanicz-Drozdowska, M., 2008), carried out a study on Measuring and improving financial capability to know more about current levels of financial capability in Kenya, to understand the potential approaches that could be taken to measure financial capability in a less developed nation where the vast majority of the population does not use formal banking services and to explore levels of financial inclusion in Kenya. It relied on the ways in which financial capability has been measured in various countries, and to review evidence from Kenya and elsewhere on the most appropriate objectives of financial education and consider how financial capability education could be prioritized in Kenya to ensure the largest gains.

Literatures (Holzman, 2010; Xu & Zia, , 2012), showed that financial literacy and personal financial management has got policy makers and academic attention in the developed countries, but the effort in developing countries where Ethiopia is included is not that much. However, few of existing empirical studies (Kontze and Smith, 2008; Raja & et. al, 201 1; Nyamty & Nyana, 201 1; Kummar and Annes,, 2013), showed that the prevalence of financial illiteracy have been hindering individuals and the economy of various developing and emerging economies for the fact suboptimal financial and economic decisions by individuals do have macroeconomic implications.

Volpe et al. (2002) 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. 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.

(Lusardi et al, 2008),found that financial literacy affects financial decision making: those with low literacy are more likely to rely on family and friends as their main source of financial advice, and low literacy individuals are less likely to invest in stocks.

(Tamimi, 2009), conducted a national survey of adult financial literacy in UAE. The main results of this survey indicated that the financial literacy UAE investor is far from the needed level. The financial literacy is found to be affected by income level, education…the results indicate that there is a significant relationship between financial literacy and investment decision.

David, 2013; Kumar, 2014) find that improved financial literacy can make a significant difference for financial behavior, above and beyond regular schooling.

More specifically (Chen & and Volpe, 1998,) showed that low levels of financial literacy have been more seen amongwomen, those with little work experience, and those under age 30.

(Lusardi,et al, 2010), provided evidence that women are less financially literate than men and the result of the study also indicates that education could improve the literacy level.

Additionally, men, those who work in banking and finance sector and those having both high income and educational level are more literate and better in managing their finances (Al-Tamimi et al, 2009)

2.4. Conclusion and knowledge gap

According to Towanda Mitchell, financial management is handling our financial situation in a responsible manner to achieve financial independence (UMBC Money Matters Seminar, n.d). It deals with managing money in all areas of life. Financial management includes personal financial management and organization management. Personal financial management helps us to manage the finance of our home which includes budgeting, saving, investing, debt management and other aspects related to personal money where by an individual can achieve personal goals (Bimal ., & Bhatt,h, 2011) In other words, personal financial management is the process of controlling income and organizing expenses through a detailed financial plan. Learning to keep track of money coming in, and tailoring the use of this money to fit expenses provides a systematic way and utilizing income (Joseph& Wiener, 2009). Several studies were done on financial literacy across the world. (Doyo, 2013) Carried out a study on the effect of financial literacy on pension preparedness among members of the informal sector in Kenya; he found that financial literacy had a significant positive relationship on pension preparedness among the participants in the informal sector.

(Gillen &Loffler 2012) conducted a survey on students who took the high school personal finance curriculum and found that, more than 60 percent of the respondent`s self-financial behavior improved after taking financial curriculum and they had made changes in their spending behavior. A study done by (Asarta; Hill; &Meszaros, 2014) that uses the Keys to Financial Success curriculum (called the Keys) to assess high school students‘ financial literacy showed that the curriculum increased students‘ financial knowledge and there was a 61 percent change between the pre-test and post-test. A study conducted by (Nyamute &Maina , 2011), on the effect of financial literacy on personal financial management practices of employees of financial and banking institutions found that financial literacy indeed influences personal financial management practices and higher financial literacy leads to better personal financial management practices. (Olima, 2013) Conducted a study on the effect of financial literacy on personal financial management on Kenya Revenue Authority employees and found similar results.

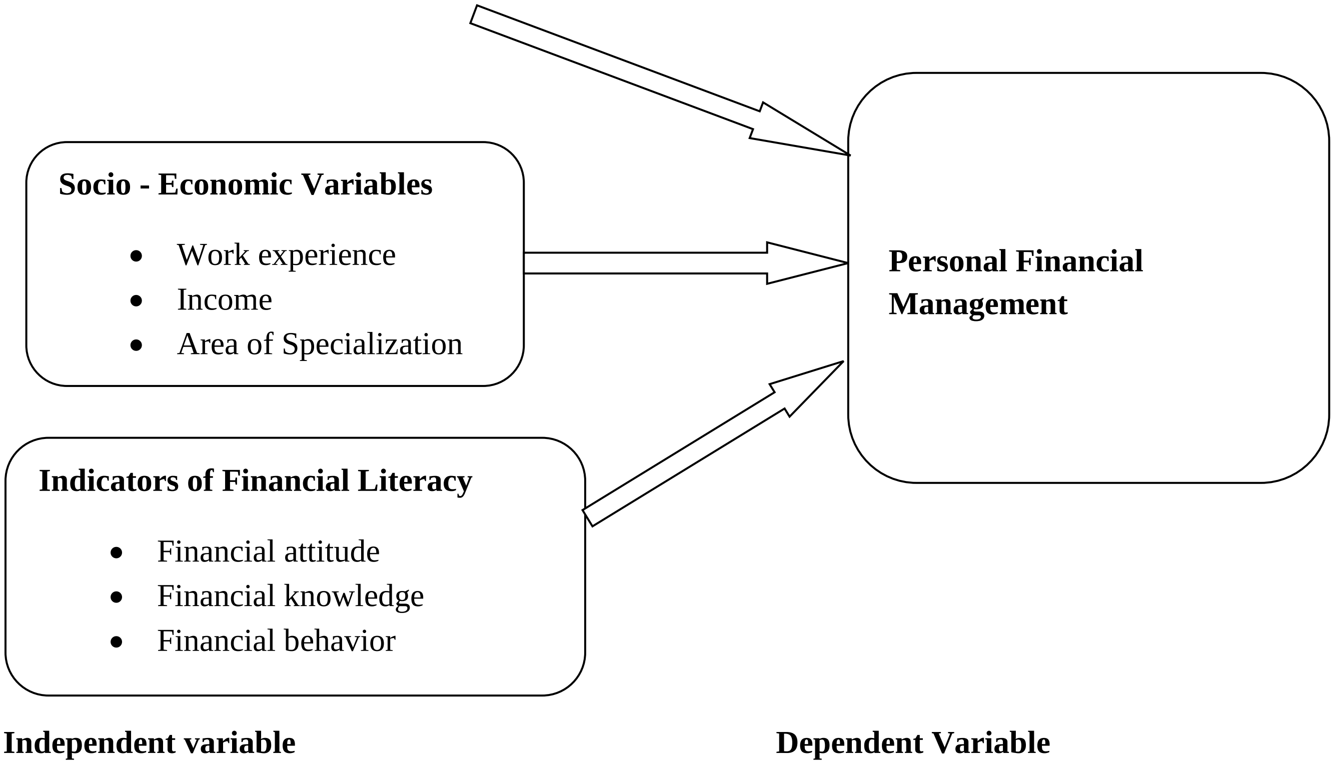
In the context of Ethiopia, however, to the knowledge of the researcher, there appears to be limited evidence on effects of financial literacy on personal financial management but some of related studies are done by (tsigerada 2015) and (matewos kebeda,2017) to investigate effects of financial literacy on personal financial management in Addis Ababa has been conducted but the result of the study was contradict each other and also the study covered only Addis Ababa city ,however as per the knowledge of the researcher still there is no study conducted on this topic under Jimma town and to fill the above contradictory finding but most of the above researcher from abroad and in our country scenario did not use the appropriate model but most of the above researchers were employed Multiple Regression Analysis Model. This is because, the dependent variable (personal financial management) was measured in likert scale hence it was not a continuous variable and does not meet the assumptions in other multiple regression analysis. But this study was employ Logistic Regression analysis because of the dependent variable is categorical means there are only two option such as manage or not manage and also as per the knowledge of the researcher there is no study conducted by the researchers by including social influence effect and demographic effects on the personal financial management in Ethiopian context but in this study the researcher add this variables as influencing factors for the personal financial management. In addition there were no studies undertaken in Ethiopian on personal financial management by including non-financial sector employees. So this is the motivational factors of the researcher want to conduct this study in selected area in case of financial and non-financial sector employees.

2.4. Conceptual Framework

Based on the existing theories and ideas in the literature, the researcher formulated an inclusive research framework. This framework illustrates the interaction between the independent variables and the dependent variable.

Demographic Variables

- Sex
- Age
- Marital status
- Education level



Source: compiled by researcher

CHAPTER –THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Research Design

According to (Sreejesh, Mohanpatra &Anushree , 2014)a research design can be defined as a framework or blueprint for conducting business research project in an efficient manner. It details the procedures necessary for collection, measurement and analysis of information which helps the researcher to structure/or solve business research problems. The research design chosen for this study was both descriptive and explanatory research design.

According to (Matthews & Kostelis, 2011), a descriptive research attempts to answer immediate questions about a current state of affairs. They further explain that a descriptive research design includes research that provides exploratory data about the specific variables being examined.

According to (Rovai, Baker, Ponton , 2013), a descriptive research design or study (sometimes called observational study or survey is meant to generate an accurate record of what is happening in a specific situation with a given population. The researcher does not exert control over the phenomena of interest. Instead, phenomena are observed (measured) as they occur in a situation or at a given point or points in time. The descriptive research design will be used to investigate the extent to which financial literacy is associated with other variables.

According to (Ngechu, 2004), descriptive studies are more formalized and typically structured with clearly stated hypotheses or investigative questions. It serves a variety of research objective such as descriptions of phenomenon or characteristics associated with a subject population, estimates of proportions of a population that have these characteristics and discovery of associations among different variables

Explanatory designs try to establish cause-and-effect relationships. The primary purpose of explanatory research design is to determine how events occur and which ones may influence particular outcomes (Dawson & Bob 2006).

Explanatory studies are characterized by research hypotheses that specify the nature and direction of the relationships between or among variables being studied. Therefore, this study were used both descriptive and explanatory method in order to explain the effect of financial literacy on personal financial management in Jimma town.

3.2. Research approach

The research problem tends to be descriptive which seeks to describe the relationship between financial literacy and personal financial management. Therefore, quantitative research approach is applied for this study to achieve the objectives of the study and to answer the research question used in this study because it was contain a quantitative component to examine effect of financial literacy on personal financial management. The quantitative component was derived from the survey data collected from the employees of financial and non-financial sector in Jimma town.

3.5. Target Population

According to (Zikmund 2003, p 369) population is any complete group of people, companies, hospitals, stores, college students or the like that share some set of characteristics. For the purposes of this study, the population was individual employees of financial and non-financial sector in Jimma town.

3.3. Sample Frame

The sampling frame is the ordered list of individuals in a population (Burt, Barber &Rigby, 2009).

(Mugenda, 2003), define a study population as consisting of the total collections of elements about which the study wants to make some inferences. The sampling frame used for this study was all government employees listed in Jimma town by civil servant office, as at January 2020, the employees are 1554 in both financial and non financial sector.

3.4. Sampling Technique

Sampling technique is a system of taking one of observation from a large population to get information of that large population from the sampled observation by using some statistical techniques. According to (Cooper &Schindler, 2014), sampling techniques are the methods used in drawing samples from a population usually in such a manner that the sample facilitates determination of some hypothesis concerning the population?

In this study multi stage sampling technique were used from probability and non-probability sampling methods. First due to the logistical challenges, purposive sampling was used to select government employees assigned by Jimma town civil service office.

As different sectors exist in Jimma town stratified sampling techniques were used to group respondents depending on their educational background. This type of sampling technique is used when the sectors or respondents are across different and similar within. So the justification of choosing the stratified sampling technique was based on the foundation that employees of both financial sector and non-financial sector were found under Jimma town civil service office. So the respondents were grouped in to two strata i.e. employees that has financial background and not. Convenient sampling techniques were also used to select respondents from each sector at the end based on convenience to the researcher. According to (Welman &Kruger, 2001), homogeneous subjects are best handled by using an effective sampling technique such as convenience sampling. This technique will allow the researcher to get a higher response rate as the respondents will be easily available in the office. Time will also be saved as the researcher will not have to travel long distances in search for respondents.

3.5. Sample Size

A sample is a representative portion of the whole population (Brown, 2009). (Cooper et al , 2014), articulate that the extent of how large a sample should be a function of the variation in the population parameters under study and the estimating precision needed by the researcher. A sample size ensures that the information is detailed and comprehensive. Due to limitations in terms of time and cost, the whole population will not be studied. As proposed by (Roscoe, 1975), a sample size of 30 to 500 is appropriate for most researches.

To determine the sample size the minimum sample size formula of (Rothar, 2004)applied in the following stated formula.

Here the sampling unit is employees in jimma town

> The assumptions for sample size determination are deciding the accuracy of the sample size estimate; decide the margin of error for the estimate, samples from the population are normally distributed. The most appropriate maximum sample size was determined after knowing the total population of financial and non financial sector employees in jimma town that minimize the total variation as much as possible.

$n = \frac{no}{1+\frac{no}{N}},$ where N= total number of population and

n= represent sample taken from employees of jimma town.

.

$no = \frac{\left[Z\alpha/_2\right]^2 pq}{d^2}$,P and Q are estimates of the proportion of population.

P= 50%=0.5 Q=1-P=0.5

$z\frac{\alpha}{2} = Z_{0.025} = 1.96.$

α=the significance level=0.05.

d = margin of error =5.27%, $no = \frac{(1.96)^2(0.5)(0.5)}{(0.0527)^2}$=345

$n = \frac{345}{1+\frac{345}{1554}}$=282

Finally, the sample size formula providesthenumber of respondents that need to be obtained. Based on the above given formula the required total sample size was 282 employees.

Proportionally the sample was selected from the two strata's by using the following formula:-

Table 3.1 Sample size determination

Strata	Population	Proportion	Sample selected
Finance background	651	$\frac{651*282}{1554}$	118
Non finance	903	$\frac{903*282}{1554}$	164

Source: Jimma town civil service office

3.6. Source of data

Both primary and secondary data were used to provide relevant and current data in the subject of the study. A primary data were collected by using structured- questionnaires. The questionnaires were prepared in the form of closed ended questions to collect information. The questionnaire consists of two parts: Part one addressing profile of the respondents and, Part two focusing on financial literacy and personal financial management.

Secondary data was collected from literature review and from other documents such as strategic plans, HR policy and other related journals.

3.7. Data collection procedure

In this study first the sectors are listed in the form of financial and non financial .Then after questionnaires were distributed to the respondents by using convenience sampling method. The data was collected during working hours (6 days per week) over three weeks. The researcher was deliver the questionnaires by contacting each sectors with the closest friends to the researcher

3.8. Method of data analysis

The tools for quantitative data analysis were descriptive statistics. Percentages, frequencies, mean and standard deviation were employed for demographic variables and objective one. In addition, chi-square test was used in identifying the difference between financial and non-financial sector employees with dummy personal financial management practices and Independent sample t-test was also used to test the differences between financial and non-financial sector employees with continuous financial literacy indicators. Moreover, Binary logistic regression analysis was applied for identifying significant factors affecting personal financial management. Logistic regression analysis is preferred due to the structure of the dependent variable which is binary/Dichotomous.

The data was analyzed by using the Statistical Packages for social Sciences (SPSS ver. 24). Also the data were presented through tables.

Model Specification

The (Gujarati, 1988;Feder, Just, & Zilberman, 1985, Aldrich & Nelson, 1984 & Maddala, 1983) have recommended probit model for functional forms with limited dependent variables that are continuous between 0 and 1, and logit models for discrete dependent variables (Solomon, 2013).Then, the binary logistic model is appropriate for this study and cumulative logistic probability model is econometrically specified as follows:

$P_i = F(Z_i) = F(\alpha + \sum \beta_i X_i) =$ ……………………………………………….1

Where, Pi is the probability that an individual will make a certain choice (manage or does not manage) given Xi e denotes the base of natural logarithms, Xi represents the i^{th} explanatory variables; and α and βi are parameters to be estimated

According to Hosmer & Lemeshew (1989), the binary logistic model could be written in terms of the odds and log of odds, which enables one to understand the interpretation of the coefficients. The odds ratio implies the ratio of the probability (Pi) that an individual would choose an alternative to the probability (1-Pi) that he/she would not choose it.

1Pi = ………………………………………………………………..2

Therefore

= =…………………………………………………..3

= $=^{(\alpha+\sum\beta iXi)}$……………………………………………4

By taking the natural logarithm of the equation (4)

Zi== α+β1X1 + β2X2+ ……….+ βmXm…………………………5

Odds and odds ratio are significant terms in logit model. Odds are defined as the ratio of the number of events that occurred to number of events that did not occur. "Odds ratio" on the other hand, is the ratio of two odds, in other words, the ratio of likelihood to another.

In Equation 4, two probabilities, manage and don't manage probability of an event are proportioned and this is the odds of proportion. It is important to understand that possibility, odds, and logit concepts, are three different ways of explaining the same thing (Menard, 2002).

Zi = ……………………………………………………………….,(6)

Using linear probability model and ordinary least squares (OLS) is not preferable due to the return of probabilities outside the unit interval (Stynes and Peterson, , 1984).Therefore, it is preferable to use either a logit or probit model.

The Logistic regression based on previous model was modified using the variables from the above conceptual framework and is stated as follows:

$$PFM = \beta0 + \beta1AG + \beta2MS + \beta3GD + \beta4WE + \beta5EL + \beta6SE + \beta7AS + \beta8FK + \beta9FA + \beta10FB + \varepsilon$$

Where = PFM = Personal financial management
$\beta0$ = constant parameter

ε = error term

$\beta1$ = change log odd in PFM due to percentage change in age of employees while other things remain constant.

$\beta2$= change log odd in PFM due to difference in marital status of employees while other things remain constant.

$\beta3$= change log odd in PFM due to difference in gender of employees while other things remain constant.

β 4= change log odd in PFM due to percentage change in work experience of employees while other things remain constant.

β 5= change log odd in PFM due to percentage change in education level of employees while other things remain constant.

β 6= change log odd in PFM due to percentage change in salary of employees while other things remain constant.

$\beta7$= change log odd in PFM due to percentage change in specialization area of employees while other things remain constant.

$\beta8$= change log odd in PFM due to percentage change in financial knowledge of employees while other things remain constant.

$\beta9$= change log odd in PFM due to percentage change in financial attitude of employees while other things remain constant.

$\beta10$= change log odd in PFM due to percentage change in financial behavior of employees while other things remain constant.

3.9. Measurement of Variables

Dependent Variable: Personal financial management.

In this study the predictor variables personal financial management were measured by 0 or 1 which takes the value of Yes or No.

Independent Variables Independent variables in this study were accessed and adapted from existing literature. There are ten independent variables used in this study. Each of these variables measured with their respective questions which tailored within personal financial management context. Hence, a total of 33 questions were constructed and captured the intention of employees for personal financial management.

Table 3.2 **measurement of variables**

	Notation	Variables	Measure	Exp- sign
Dependent Variable	**PFM**	Personal financial management	Question No.22-27	?
	GE	Gender of employee	Question No. 1	**?**
Independent variables	**AG**	Age of employees	Question No.2	+
	MS	Marital status	Question No.3	**?**
	WE	Work Experience	Question No.4-5	+
	EL	Education Level	Question No.6-7	+
	AS	Area of specialization	Question No.8	+
	SE	Salary	Question No.9	+
	FK	Financial knowledge	Question No.10-14	+
	FA	Financial Attitude	Question No 15 -21	+
	FB	Financial behavior	Question No.28-33	+

Table 3.2.Name, type, code and value for variables

Name	Type	Code	Value
Personal Financial Management	Dummy	PFM	1 if you manage, 0 if not manage
Gender	Dummy	GE	1 Male, 0 Female
Age	Discrete	AG	Age of employees
Marital status	Dummy	MS	1 if Married, 0 if not Married
Work Experience	Discrete	WE	Experience on work
Education Level	Discrete	EL	Education Level attained
Area of specialization	Dummy	AS	1 if Financial, 0 non –financial
Salary	Dummy	SE	1 Less than 5000, 2 Above 5000
Financial knowledge	Continuous	FK	Likert scale
Financial Attitude	Continuous	FA	Likert scale
Financial behavior	Continuous	FB	Likert scale

3.10. Reliability of Research Instruments

Reliability of a research instrument enhances its ability to measure consistently what is intended. Reliability was increased by including many similar items on a measure, by testing a diverse sample of individuals and by using uniform testing procedures. In order to test the reliability of the instruments, internal consistency techniques were applied using Cronbach‟sAlpha. Coefficient of 0.6 - 0.7 is a commonly accepted rule of thumb that indicates acceptable reliability and 0.8 or higher indicated good reliability (Mugenda, 2008).

3.11. Validity of Research Instruments

Validity indicates the degree to which an instrument measures what it is supposed to measure (Kothari, 2004). The questionnaires are structured to ensure that it remains focused, accurate and consistent in the course of the study. The validity of the research instruments was established by seeking opinions of experts in the field of study especially my supervisors and friends.

3.12. Ethical Consideration

Before the research was conducted on the selected sectors, the researcher informed the participants of the study about the objectives of the study, and the researcher was consciously consider ethical issues in seeking consent, avoiding deception, maintaining confidentiality, respecting the privacy, and protecting the anonymity of all respondents. Proper arrangements of questionaries were also done by the researcher by considering the law of ethics to fulfill the objective of the study.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1. Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The results are presented on the level of financial literacy and its effects on personal financial management among employees of financial and non financial sector Jimma town.

4.2 Response Rate

Out of (282) questionnaires sent to the target population, two hundred fourteen (240) usable responses were collected representing an 85% response rate implying 15% of the questionnaires were not returned at all. Despite this, the target population was fairly represented considering that key personnel who are relevant to the study were reached.

The results are shown in the table 4.1below:-

Table 4.1 **Response rate**

Instrument	Frequency	Percentage
Response rate	240	85%
Non response rate	42	15%
Total	282	100%

Source: own computation

4.3 Data Reliability

Reliability test was conducted on the key dependent and independent variables; financial literacy factors and management of personal finances. As shown in table 4.2, Cronbach‟s Alpha values of the financial literacy variables i.e. financial knowledge, attitude and behavior reveal that the reliability coefficient of the study variables is 0.715 which exceeds the minimum acceptable level of 0.60 hence the reliability of the research tool is at moderately good level. The results were shown in the table 4.2 below:-

Table 4.2Reliability Statistics

Cronbach's Alpha	N of Items
.715	16

Source: - SPSS output and own computation, 2020

4.4 Profile of respondents

4.4.1 Sex of employees

Out of 240 usable questionnaires 92 respondents were females and 148 were males. This indicates that, majority (61.7%) of the respondents were male while female represented 38.3% of the respondents who participated in this study. The result shows that Jimma town employees dominated by male than female as shown in Table 4.3 below.

Table 4.3 sex of employees

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	female	92	38.3	38.3	38.3
	male	148	61.7	61.7	100.0
	Total	240	100.0	100.0	

Source SPSS output and own computation, 2020

4.4.2 Age of the Respondents

The result shows that, Majority (65%) of the respondents were between 21 to 50years of age, 22% of the respondents were above 50 years of age while only 12.5% of respondents were less than 20 years. This implies that majority of the employees in the financial and non financial sectors are young adults as shown in table 4.4 below:-

Table 4.4 ages of employees

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<20 years	30	12.5	12.5	12.5
	21_50years	158	65.5	65.5	78
	>50years	52	22	22	100.0
	Total	240	100.0	100.0	

Source SPSS output and own computation, 2020

4.4.3 Marital status of employees

From the analysis, majority of the respondents (64.6%) were married while unmarried represented 35.4% of the respondents who participated in the study as shown in Table 4.5 below.

Table 4.5 marital status of employees

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	155	64.6	64.6	64.6
	Unmarried	85	35.4	35.4	100.0
	Total	240	100.0	100.0	

Source SPSS output and own computation, 2020

4.4.4. Level of Education

From the result, majority (53.8%) of the respondents had undergraduate degree, 33.8% had college level of education, 4.2% had post graduate level of education, and 8.3% of the respondents had secondary level of education. This implies that most of the respondents were literate and this forms a good foundation for financial literacy as shown in the table 4.6 below:-

Table 4.6 education level of employees

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	secondary level	20	8.3	8.3	8.3
	college level	81	33.8	33.8	42.1
	Degree	129	53.8	53.8	95.8
	post graduate	10	4.2	4.2	100.0
	Total	240	100.0	100.0	

Source SPSS output and own computation, 2020

4.5 Area of specialization

From the analysis, majority of the respondents 129 (53.8%) were specialized in non financial where as 111(46.3%) were financial background. This indicates that respondents taken non financial courses dominated in Jimma town. The results were shown on table 4.7 below:-

Table 4.7 area of specialization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	non financial	129	53.8	53.8	53.8
	Financial	111	46.3	46.3	100.0
	Total	240	100.0	100.0	

Source SPSS output and own computation, 2020

4.6 Work experience of employees

From the analysis, majority of the respondents (41.7%) have less than 5 years' work experience, (34.2%) has 6_10 years' experience, (7.9%) respondents have 16_20 years' experience, and (5.8%) has above 20 years work experience. The results were indicated in the table 4.8 below.

Table 4.8 work experience of employees

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<5 years	100	41.7	41.7	41.7
	6_10 years	82	34.2	34.2	75.8
	11_15 years	25	10.4	10.4	86.3
	16_20 years	19	7.9	7.9	94.2
	above 20 years	14	5.8	5.8	100.0
	Total	240	100.0	100.0	

Source SPSS output and own computation, 2020

4.7 Department of work

Majority (14.2%) of the employees were work in treasury, 8.8% of the respondents in sales department, 10% in credit department, 7.9% in trade while 5.4% of the respondents were in Information and Communication Technology department. The result as shown in the table 4.9

Table 4.9: department of work

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	129	53.8	53.8	53.8
	Sales	21	8.8	8.8	62.5
	Credit	24	10.0	10.0	72.5
	treasury	34	14.2	14.2	86.7
	Trade	19	7.9	7.9	94.6
	ICT	13	5.4	5.4	100.0
	Total	240	100.0	100.0	

Source SPSS output and own computation, 2020

4.8 Monthly Salary of the Respondents

From the results, majority (60%) of the respondents has a monthly salary of between Ethiopian Birr 5000 to 10,000 thousands, 29.2 % gets less than 5000 birr, 8.3% reported a salary of 10,001 to 15,000 birr, and 2.5% has a monthly salary of above15, 000 birr respectively. The findings are shown in the table 4.10

Table 4.10 salary range of employees

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<5000	70	29.2	29.2	29.2
	5001_10000	144	60.0	60.0	89.2
	10001_15000	20	8.3	8.3	97.5
	>15001	6	2.5	2.5	100.0
	Total	240	100.0	100.0	

Source SPSS output and own computation, 2020

4.9 Level of Investment

From the respondents that have an investment (45.8%), most of the respondents (24.6%) cited a very high extent of investment, 16.7% of the respondents cited high extent of investment, 3.3% of the respondents reported a moderate extent of investment and only 1.3% of the respondents reported low extent of investment. The result indicated in table 4.11 below:-

Table4. 11 score your current level of investment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Missing	130	54.2	54.2	54.2
	low extent	3	1.3	1.3	55.4
	moderate extent	8	3.3	3.3	58.8
	high extent	40	16.7	16.7	75.4
	very high extent	59	24.6	24.6	100.0
	Total	240	100.0	100.0	

Source SPSS output and own computation, 2020

4.10. Level of Satisfaction on investment

From the respondents that have investment plan (45.8%), majority of the respondents, 31.7% were very satisfied with their level of investment, 9.2% were satisfied, 2.9% were fairly satisfied and only 2.1% was not satisfied. This is indicated in the table 4. 12 below:-

Table4. 12 satisfaction rate of your investment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Missing	130	54.2	54.2	54.2
	not satisfied	5	2.1	2.1	56.3
	fairly satisfied	7	2.9	2.9	59.2
	Satisfied	22	9.2	9.2	68.3
	very satisfied	76	31.7	31.7	100.0
	Total	240	100.0	100.0	

Source SPSS output and own computation, 2020

4.11 Cross tabulation

In this study the cross tabulation is used to know the difference between financial related employees and other with related question.

Table 4.13 work experience * area of specialization

			area of specialization		Total
			non financial	Financial	
does work experience helps you to manage your personal finance	No	Count	87	8	95
		%	67.4%	7.2%	100.0%
	yes	Count	42	103	145
		%	32.6%	92.8%	100.0%
Total		Count	129	111	240
		%	100.0%	100.0%	100.0%

Source: SPSS output and own computation, 2020

In table 4.13 above, the analysis were taken whether experience in the work place helps financial related and non-financial employees to manage their personal finance. The result indicates that, experience in the work place does not help majority of the non- financial respondents to manage their personal finances (67.4%) and only 32.6% of non-financial employees gets information on their personal financial management from their work experience.

While, majority 92.8% of financial related employee's get help on their personal finance management from their work experience and only 7.2% of financial employees does not get information from their work experience. This indicates that, the percentages of non -financial employees that gets help from work experience to manage their personal finance were lower than those of financial related employees. Also the chi-square value ($X^2=90.516, P=.000$) of the sampled households indicated that there were statistically significant difference between work experience and area of specialization on personal finance management.

Table 4.14 area of specialization * effectiveness of employees on personal financial management

			effectiveness rate of employees on personal financial management				Total
			Low	fair	good	excellent	
area of specialization	non - financial	Count	11	52	62	4	129
		%	8.5%	40.3%	48.1%	3.1%	100.0%
	Financial	Count	9	29	67	6	111
		%	8.1%	26.1%	60.4%	5.4%	100.0%
Total		Count	20	81	129	10	240
		%	8.3%	33.8%	53.8%	4.2%	100.0%

Source: SPSS output and own computation, 2020

The result shows that, majority of non-financial respondents has good (48.1%) rate of personal financial management followed by fair (40.3%), low (8.5%) and excellent (3.1%). Similarly the majority of financial and related employees has good (60.4%) rate of personal financial management followed by fair (26.1%), low (8.1%) and excellent (5.4%). This indicates that majority of both financial and non-financial background employs has good rate of personal financial management, but the percentage of their effectiveness were different. This is attributed to hard economic times and poor financial discipline among these employees regardless of their perceived sound financial literacy. This is a relatively high proportion hence needs an attention since poor financial management adversely affects wellbeing by extension productivity at work place.Similarly the chi-square value (X^2*=6.008, P=.111*) of the sampled households indicated that there were no statistically significant difference between effectiveness rate of employees personal financial management and area of specialization.

Table 4.15 financial literacy training * area of specialization

			area of specialization		Total
			non financial	financial	
Did you taken any financial literacy training	No	Count	121	3	124
		% within area of specialization	93.8%	2.7%	51.7%
	Yes	Count	8	108	116
		% within area of specialization	6.2%	97.3%	48.3%
Total		Count	129	111	240
		% within area of specialization	100.0%	100.0%	100.0%

Source: SPSS output and own computation, 2020

From the analysis, 121(93.8%) of non- financial employees does not taken training on financial literacy and only 8(6.2%) non- financial employees taken training on financial literacy while108(97.3%) financial employees taken training on financial literacy and only 3(2.7%) of financial employees does not taken training on financial literacy. Those seeking training for financial education will be more efficient in taking financial decision. This shows that the training on different financial literacy given for financial employees than non -financial employees.

Table 4.16 source used to enhance employees financial knowledge * area of specialization

			area of specialization		Total
			non financial	Financial	
what is the source used to enhance your financial knowledge	education background	Count	23	24	47
		% within area of specialization	17.8%	21.6%	19.6%
	investment groups	Count	3	14	17
		% within area of specialization	2.3%	12.6%	7.1%
	Work place	Count	63	37	100
		% within area of specialization	48.8%	33.3%	41.7%
	Media	Count	15	22	37
		% within area of specialization	11.6%	19.8%	15.4%
	Other	Count	25	14	39
		% within area of specialization	19.4%	12.6%	16.3%
Total		Count	129	111	240
		% within area of specialization	100.0%	100.0%	100.0%

Source: SPSS output and own computation, 2020

From the above result, majority of non financial background employees got financial knowledge from their work place (48.8%), education background (17.8%), from their Media (11.6%), investment group (2.3%) and from other sources (19.4%). Similarly most of financial background employees use their work place to enhance their financial knowledge (33.3%), followed by education background (21.6%), Media (19.8%), and investment group (12.6%) and from other sources (12.6%). This indicates that work place is the best source used to enhance the financial knowledge of both financial and non financial background employees.

4.12. Personal financial management practices among financial and non- financial employees

One of the objectives of this study is evaluating the personal financial management practices among employees of financial and non- financial sector. There were two indicators of personal financial managements used in this study that's financial planning and debt management practices.

To measure the financial planning and debt management of employees the question were prepared in the form of dichotomous and the cross tabs is used to identify the financial planning of financial and non -financial employees as indicated table 4.17 below:

Table 4.17 Area of specialization * financial plan Cross tabulation

			I prepare financial plan		Total
			No	Yes	
area of specialization	non financial	Count	45	84	129
		% within area of specialization	35%	65%	100.0%
	Financial	Count	2	109	111
		% within area of specialization	2%	98%	100.0%
Total		Count	47	193	240
		% within area of specialization	19.6%	80.4%	100.0%

Source: Computed based on primary data, 2020

The result indicates that, 35% of non -financial background employees have no financial plan and 65% of non- financial employees prepare a financial plan to manage their personal finances. Similarly 2% of financial background employees does not prepare financial plan and 98% of financial and related background employees prepare a financial plan to manage their personal finances. This shows that the percentage of preparing financial plan is higher for financial and related background employees than non-financial employees. Also the chi-square value (X^2*=41.462, P=.000*) of the sampled households indicated that there were statistically significant difference between financial plan and area of specialization.

Table 4.18 Area of specialization * Debt management Cross tabulation

			I manage Loan received		Total
			No	Yes	
area of specialization	Non-financial	Count	60	69	129
		% within area of specialization	46.5%	53.5%	100.0%
	Financial	Count	51	60	111
		% within area of specialization	45.9%	54.1%	100.0%
Total		Count	111	129	240
		% within area of specialization	46.3%	53.8%	100.0%

Source: Computed based on primary data, 2020

As tabulated in the above table, the financial and non-financial sector employees were asked whether they manage a loan received and if they receive a loan. The result indicates that, 46.5% of non-financial background employees are poor in their debt management and 53.5% of non -financial employees are good in their debt management. Similarly 45.9% of financial background employees are not favorable in managing their debt and 54.1% of financial background employees manage their debt in good manner. This shows that the percentages of debt managements are almost the same in financial and non- financial background employees. Similarly the chi-square value (X^2=*.008*, *P*=*.930*) of the sampled households indicated that there were no statistically significant difference between financial and non- financial sector employees on debt management.

Table 4.19 Area of specialization * saving plan

			do you have a saving plan		Total
			No	yes	
area of specialization	non -financial	Count	6	123	129
		%	4.7%	95.3%	100.0%
	Financial	Count	0	111	111
		%	0.0%	100.0%	100.0%
Total		Count	6	234	240
		%	2.5%	97.5%	100.0%

Source SPSS output and own computation, 2020

The result shows that, majority of non-financial respondents has a saving plan (95.3%) and only (4.7%) of non-financial employees has no saving plan, but all of the financial background respondents has saving plan (100%). This indicates that majority of both financial and non-financial background employs understand the importance of saving and save in different financial institutions, but the percentage is different between financial background and other employees. Similarly the chi-square value (X^2*=5.295, P=.211*) of the sampled households indicated that there were no statistically significant difference between saving plan and area of specialization.

Table 4.20 area of specialization * investment plan Cross tabulation

			do you have investment plan		Total
			No	Yes	
area of specialization	non -financial	Count	66	63	129
		% within area of specialization	51.2%	48.8%	100.0%
	Financial	Count	64	47	111
		% within area of specialization	57.7%	42.3%	100.0%
Total		Count	130	110	240
		% within area of specialization	54.2%	45.8%	100.0%

Source SPSS output and own computation, 2020

The result shows that, majority of non-financial respondents has no investment plan (51.2%) and (48.8%) of non-financial employees has investment plan. Similarly majority of financial respondents has no investment plan (57.7%) and (42.3%) of financial employees has investment plan. The result in this study indicates that, majority of financial and non-financial employees has no investment plan, but the percentage is different in both cases. Also the chi-square value (X^2*=1,014, P=.314*of the sampled households indicated that there were no statistically significant difference between investment plan and area of specialization.

4.13 Descriptive statistics of financial attitude, behavior and financial knowledge

The respondents were asked questions which they were to respond based on a five point Likert scale where 1= strongly disagree, 2= disagree, 3= neutral, 4= agree, 5= strongly agree. The questions were structured based on financial attitude, behavior and knowledge.

Table 4.21 Descriptive Statistics on suggested financial attitude

	N	Mean	Std. Deviation
important to control monthly expenses	240	4.51	.509
important to establish financial targets	240	3.85	1.153
the way i manage money today will affect my future	240	4.17	.645
my short term decision affected by my long term financial goals	240	3.61	1.141
my social environment contributed to my financial skill	240	4.49	.517
my parents have influenced my money management skill	240	4.48	.509
Valid N (list wise)	240		

Source SPSS output and own computation, 2020

As shown on Table 4.21 above, the mean value of items used to measure financial attitude that is controlling monthly income were around 4.51 with standard deviation of about .509.

This indicates that respondents were strongly agreed to control their monthly expenses as their average value is between 4 and 5. The mean response of establishing financial targets and effect of short term decision on employees long term financial goals were 3.85(SD=1.153) and 3.61(SD=1.141) respectively, showing that most respondents are agreed to establish financial targets and their short term financial decision affect their long term goal. Similarly the average value of item 3, 5, and 6 is between 4 and 5 with a minimum value of standard deviation this also indicates that most of the respondents were agreed with the statement given that is the way they manage today affect their future, their social environment contributed to their financial skill and their parents have influenced their money management skill.

Table 4.22 **Descriptive Statistics on suggested financial Behavior**

	N	Min	Max	Mean	*SD*
Budgeting monthly income and expenditure	240	2	5	3.39	.927
my long term financial targets influence my money	240	3	5	4.48	.509
I keep records of income and expenditure	240	2	4	2.92	.934
Participate in Idir	240	3	5	4.84	.409

Source SPSS output and own computation, 2020

As shown on Table 4.22, the mean value of items used to measure financial behavior that is Budgeting monthly income and expenditure has a mean value of 3.39 with SD of 0.927 this indicates the respondents are neutral in budgeting their monthly income and expenditure. long term financial targets influence the money management of employees as the mean value is 4.48 with SD of 0.509 and the employees were disagree in keeping records of income and expenditure as the mean value is 2.92 with SD of 0.934. Similarly the average value and standard deviation of participation in idir is 4.84 and 0.409 respectively, this shows that the respondents were strongly agreed to participate in idir. This shows that the respondents were agreed with the item above used to measure financial behaviors. Similarly the average value and standard deviation of receive loan from financial institution is 3.70 and 1.045 respectively, this shows that the respondents receive loan from different financial institution but they don't know the effect of interest and inflation on the loan they borrow as its mean value and standard deviation is between 2 and 3 that is 2.66 and 0.889 respectively.

Table 4.23 Descriptive Statistics on suggested financial knowledge

	N	Mean	SD
safer to put money in to Multiple business rather than saving in one business(diversification)	240	3.00	.841
I know the effect of interest rates on my decision to save and invest	240	2.70	.893
Buy insurance coverage of any kind	240	2.79	.942
high inflation indicates cost of living increases	240	3.03	.877
it is better to inherit you birr 1000 today rather than inheriting it after 3 years	240	3.08	.947
Valid N (listwise)	240		

Source: Own field survey data (2020)

The above table indicates the mean value and standard deviation of each financial knowledge question. The result indicates that there is a lower mean value in each financial knowledge questions, which shows that the respondents were disagreed with the financial knowledge questions.

Table 4.24 Financial Knowledge, Attitude and Behavior between Financial and Non-financial employees

	Financial			non- financial		t=5.035
Financial knowledge	*Mean*	*SD*		*Mean*	*SD*	P=.000
	3.05	0.42		2.8	0.35	
Financial Attitude	4.31	0.367		4.07	0.39	t=4.863 P=.000
Financial behavior	3.82	0.28		3.81	0.27	t=0.268 P= .789

Source: Own field survey data (2020)

Financial Knowledge

As shown in Table 4.24, the result tried to find out the sampled employees financial knowledge between financial and non-financial sector employees. According to the survey result, the average of financial knowledge of the sampled financial and non- financial sector was 3.05 and 2.8 respectively and the standard deviation of the financial knowledge of financial and non-financial was 0.42 and 0.35 respectively. The results of the mean value indicated that financial knowledge of employees working in financial sector was larger than employees working in non-financial. The t-value (t=5.035; P=.000) showed that there was statistically significant difference between the financial and non-financial sector employees with respect to their financial knowledge. This implies that sampled households that had financial background or working in financial sector had higher financial knowledge than employees working in non- financial sector.

Financial Attitude

As shown in Table 4.24 above, the result tried to find out the sampled employees financial Attitude between financial and non-financial sector. According to the survey result, the average of financial Attitude of the sampled financial and non- financial sector was 4.31 and 4.01 respectively and the standard deviation of the financial Attitude of financial and non-financial was 0.367 and 0.391 respectively.

The results of the mean value indicated that financial Attitude of employees working in financial sector was larger than employees working in non-financial. The t-value (t=4.863; P=.000) showed that there was statistically significant difference between the mean financial Attitude of financial and non-financial with respect to their financial Attitude. This implies that sampled households that had financial background or working in financial sector had higher financial Attitude than employees working in non-financial sector.

Financial Behavior

As tabulated in table 4.24 above, the result tried to find out the difference between employees that has financial background and non-financial background. According to the survey result, the average of financial Behavior of the sampled financial and non- financial sector was 3.82 and 3.81 respectively and the standard deviation of the financial Behavior of financial and non-financial was 0.28 and 0.27 respectively. The results indicated that the financial behavior of financial and non-financial background employees was the same as the mean value between them is almost the same. The t-value (t=0.268; P=.789) showed that there was no statistically significant difference between the mean of financial Behavior of financial and non-financial with respect to their financial Behavior.

4.14 Financial literacy level of employee

The first objective of this study is to determine the financial literacy level of financial and non - financial employees. Financial literacy in the current study was coined to incorporate three domains: basic knowledge of personal finance, attitude to money and financial behavior. The financial literacy level of the respondents was measured using 16 survey questions. By combining the average responses of each survey question, scores were constructed for each domain and for overall level of financial literacy.

Table 4.25 Descriptive statistics of financial literacy score

Domains of Financial literacy	Minimum	Maximum	Mean	SD
Financial attitude	1	5	4.19	.3969
Financial knowledge	1	5	2.92	.4091
Financial behavior	1	5	3.81	.2800
Aggregated financial literacy score	8.83	12.92	10.92	.6493
Valid N (listwise) 240				

Source: Computed based on primary data, 2020

The study has measured financial literacy level of the respondents under three dimensions, viz. financial knowledge, attitude towards money and financial behavior. The descriptive statistics summarized on table 4.25 above show the average score of respondents which were computed based on answers to questions designed to measure financial literacy with respect to each domains of financial literacy. The first domain of financial literacy in the study is financial knowledge. The financial knowledge was measured using five objective likert-scale questions and the aggregate financial score was constructed by aggregating all five point likert scale questions.

The descriptive statistics presented in table 4.25 indicated the financial knowledge has a mean value of (M = 2.92 and SD .4091). This shows that majority of the respondents scored 58.5 % of the maximum financial knowledge score.

The second domain of financial literacy is financial attitude. Financial attitude is also measured by using six objective questions and a composite attitude scores were constructed from a set of five point Likert scale questions. The maximum attitude score is supposed to be 5. The results showed the average score of financial attitude factors was found around 4.19 with standard deviation of .3969. This shows that majority of the respondents scored 68 % of the maximum financial attitude score. These indicate that the respondents have a favorable attitude towards saving money and recognized the importance of proper personal financial management practices.

The third domain of financial literacy is financial behavior. Financial behavior is also measured by using four objective questions and a composite financial behavior scores were constructed from a set of five point Likert scale questions.

The maximum attitude score is supposed to be 5. The results showed the average score of financial behavior factors was found around 3.81 with standard deviation of .2800. This shows that majority of the respondents scored 76 % of the maximum financial behavior score. These indicate that the respondents have a favorable financial behavior.

The overall financial literacy score of each respondent was constructed by aggregating the scores obtained in individual financial literacy domains. The result indicated that the mean score of the sample amounts about 68 percent of the maximum possible overall financial literacy score of the respondents.

4.15 Correlation Analysis of variables

Correlation analysis was used to find the relationship between two or more sets of variables. It also tells the direction as well as how much relationship exist between these variables. In this study we used Pearson‟s coefficient of correlation which is one of the most popular methods to measure the relationship between variables. The value of the correlation lies between "-1" to "+1". The negative correlation indicates that indirect relationship between the variables and positive correlation indicates positive relationship between the variables.

Table 4.26 **Correlation of Variables**

		F PLAN	debt mgmt	FA	F FB	FKNWLDG
F PLAN	Pearson Correlation	1				
debt mgmt	Pearson Correlation	-.033	1			
FA	Pearson Correlation	.139*	.046	1		
FB	Pearson Correlation	.108	.043	.130*	1	
FKNWLDG	Pearson Correlation	.705	.598	.006	-.056	1

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

Source: - Researcher developed based on sample survey

The first indicator of financial literacy, aggregate financial attitude score, showed a positive relationship with financial planning and debt management practices. This relationship is statistically significant with financial planning practices and insignificant with debt management practices.

The second indictor of financial literacy, financial behavior has showed positive correlations with the financial planning practice and debt management practices; however the relationship between financial behavior and the two indicators of personal financial management are statistically insignificant.

Similarly the third indicator of financial literacy, financial knowledge shows a positive and strong relationship with financial planning and debt management practices. This implies the fact that individuals with greater financial knowhow engaged in personal financial management.

Spearman's correlation coefficients were also used in this study to know the relationship between personal financial management and demographic variables. This type of correlation coefficient is used when the data is categorical. The table 4.27 below indicates the relationship between personal financial management and demographic variables:-

Table 4.27 relationship between personal financial management and demographic variables

			PFM	sex	age	m status	edu level	W exp
Spearman's rho	PFM	Correlation Coefficient	1.000					
	sex	Correlation Coefficient	.174**	1.000				
	age	Correlation Coefficient	.515**	.201**	1.000			
	M status	Correlation Coefficient	.597**	-.222**	-.647**	1.000		
	Edu level	Correlation Coefficient	.621**	.288**	.590**	-.617**	1.000	
	W expce	Correlation Coefficient	.521**	.071	.665**	-.489**	.502**	1.000

Source: - Researcher developed based on sample survey

Table 4.27 above gives the relationship between different sets of variables. The first variable gender in relation to the personal financial management has the correlation coefficient of "0.174" which shows a positive significant relationship between the two variables.

Similarly, age and amount of personal financial management has a moderate positive correlation of 0.515 was observed which explains that the older a person, the better his/her personal financial management. Although marital status of employees show a moderate positive correlation 0.597 with personal financial management, which indicates a married person has good personal financial management than unmarried. Education levels also have a strong and significant relationship with the personal financial management with the value of 0.621. This indicates that the higher the education levels of employees the greater personal financial management. Likewise employees work experience has a moderate and significant relationship with personal financial management.

Logistic Regression

Logistic regression does not require many of the principle assumptions of linear regression models that are based on ordinary least squares method–particularly regarding linearity of relationship between the dependent and independent variables such as normality of the error distribution, homoscedasticity of the errors and measurement level of the independent variables were included. Logistic regression can handle non-linear relationships between the dependent and independent variables because it applies a non-linear log transformation of the linear regression. The error terms (the residuals) do not need to be multivariate normally distributed–although multivariate normality yields a more stable solution because the output variable two possible solution only (Hyeoun, 2013). Unlike multiple regressions, logistic regression does not entail assumptions related with normality, linearity and homogeneity of variance for the independent variable, which evidences the popularity of the model. Logistic regression assumes that the outcomes are independent, mutually exclusive and finally in order to obtain accuracy requires large samples (Lee. et al, 2004).

Before running a logistic regression the following assumption were tested: - The first assumption is test of multi co linearity. According to (pallet, 2005), multicollinearity exists when the independent variable are highly correlated (r=0.9 and above).

As it is shown in the correlation matrix presented in table 4.19 and 4.20 above, all the correlation coefficients among the variables are less than 0.9 which implies multicollinearity is not a problem and all the variables can be inserted in to the regression model together. The second assumption is that goodness of fit test.

The omnibus test of model coefficients gives an overall indication of how well the model performs, over and above the results obtained when none of the predictors are entered in to the model. For this set of results, we want a highly significant value.

The last assumption is the rule of thumb. This assumption is also satisfied as the sample size of this study is greater than one hundred (100). After the above assumption checked the regression analysis were run and the effect of predictors on personal financial management can be identified.

4.15 Regression Result

When the 10 predictors variables considered all together, omnibus test of model coefficient shows that, they significantly predict whether an employee's manage their personal finances or not at *chi-square =78.252, df =10 N= 240 P= .000 with the P- value of Hosmer and Lemeshow test =.615 which is insignificant values* as the result indicated below:-

Omnibus Tests of Model Coefficients

		Chi-square	Df	Sig.
Step 1	Step	78.252	10	.000
	Block	78.252	10	.000
	Model	78.252	10	.000

Source: - Researcher developed based on sample survey

Similarly Cox&Snell R-Square and Negelkerke R- Square shows the value of .278 and .493 which indicates the coefficient of determination that used to measure how accurate the ability of the model explains variations in the dependent variable through the variation in the independent variables. Thus it shows that between 27% - 49% of the dependent variable can be explained from the chosen independent variables and the rest were not taken in to account. The results were shown in the table 4.28 below:-

Table 4.28 Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	159.142[a]	.278	.493

a. Estimation terminated at iteration number 7 because parameter estimates changed by less than .001.

Hosmer and Lemeshow Test

Step	Chi-square	Df	Sig.
1	6.288	8	.635

The Hosmer–Lemeshow test is another test to examine whether the observed proportions of events are similar to the predicted probabilities of occurrence in subgroups of the model population. Before a model is relied up on to drown conclusion or predict future out comes we should check as far as possible that the model we have assumed is correctly specified. That is the data do not conflict with the assumption made by the model, for binary out comes logistic regression Hosmer and Lemeshow goodness of fit test is the most popular modeling approach. According to (Hyeoun, 2013)better approach to present any of goodness of fit test available is Hosmer Lemeshow which is commonly used measure of goodness of fit based on the $\chi 2$ distribution with *8* degrees of freedom (with large *p*-value >0.05) indicate a good fit to the data, therefore, goodness of overall model fit. In generally according to (Hosmer & Lemeshow,, 2000) if p-value is less than 0.05 and conclude that the model is not fit but the p value in this model is 0.635 which greater than 0.05 means conclude that the model is fit for the observed data.

Table 4.29 Classification Table

	Observed	Predicted		
		Do you manage your personal finances		Percentage Correct
		No	Yes	
	No	22	25	46.8

Step 1	Do you manage your personal finances	Yes	14	179	92.7
	Overall Percentage				83.8

a. The cut value is .500

According to (Sakar &Midi , 2010), common techniques in social science for judging the classification table accuracy of fitted binary logistic regression model is accuracy ratio. The probability of detecting true signal (sensitivity) and false positivity (specificity) for entire range of possible cut point comes from classification table. According to (Hyeoun, 2013) higher sensitivity and specificity indicate a better fit of the model. The classification table used to determine that how well our model predicts the group membership of the dependent variables. In this study the model predicts around 84 % correctly as indicated in the table 4.29 above.

The effect of the predictors on personal financial management is also discussed in the below table:-

Table 4.30 Variables in the Equation

	B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)

								Lower	Upper
Step 1[a]	sex of employees(1)	.812	.459	3.131	1	.077	2.253	.916	5.538
	age of employees			5.454	2	.065			
	age of employees(1)	.613	.455	1.817	1	.178	1.845	.757	4.498
	age of employees(2)	1.273	.549	5.371	1	.020	3.571	1.217	10.481
	marital status (1)	.702	.555	1.604	1	.205	2.019	.681	5.987
	education level			.671	3	.880			
	education level (1)	-.049	.753	.004	1	.948	.952	.218	4.164
	education level (2)	.278	.699	.158	1	.691	1.321	.336	5.194
	education level (3)	.557	.925	.363	1	.547	1.746	.285	10.696
	area of specialization(1)	1.726	.406	18.044	1	.000	5.616	2.533	12.450
	work experience			.563	2	.755			
	work experience(1)	-.265	.532	.248	1	.618	.767	.271	2.175
	work experience(2)	.259	.762	.115	1	.734	1.295	.291	5.771
	Salary (1)	1.123	.558	4.057	1	.044	3.074	1.031	9.170
	Financial Knowledge	1.063	.436	5.962	1	.015	2.896	1.233	6.800
	Financial Behavior	.148	.143	1.084	1	.298	1.160	.877	1.534
	Financial Attitude	1.238	.611	4.100	1	.043	3.447	1.040	11.423
	Constant	-11.948	3.991	8.965	1	.003	.000		

a. Variable(s) entered on step 1: sex of employees, age of employees, marital status, education level, area of specialization, work experience, salary, Financial Knowledge, Financial Behavior, Financial Attitude.

Source: - Researcher developed based on sample survey

4.16 Discussions of regression results

Similar to the linear regression analyses, logistic regression coefficients in the column "B" indicates the direction and the strength of the relationship between the dependent and the independent variables. However, unlike the linear regression “B” represents the influence of a one unit change in the independent variable on the log-odds of the dependent variable. Odds ratios are stated in the Exp (B) column in the table. “If B represents the regression coefficient for predictor, then exponentiating B yields the odds ratio. When all other predictors are held at a constant, the odds ratio means the change in the odds of dependent variable given a unit change in independent variable (Peng et.al. , 2002). In this study, the objective is to identify the effect of financial literacy on personal financial management. Therefore the logistic regression result was discussed as follows:-

The study found that financial attitude, financial knowledge, age, area of specialization and income of employees has statistically positive influence on personal financial management of employees with P value of less than 0.05.

Gender

The hypothesis developed indicates that there is no difference between male and female on personal financial management but, the result of the study indicated that there is a positive relationship between gender and personal financial management. The value of Exp (B) is 2.253from the above table which indicates that the odds of personal financial management increases 2.253 times for male than female. This indicates that male working in Jimma town financial and non-financial sector has more personal financial management habit than female. The result of this study were in line with the study undertaken by (Chen, 2002), on surveying financial literacy among college students, and the study found that women generally have less knowledge about personal finance topics than male. Also the study concluded that gender differences remain statistically significant after controlling for other factors such as participants' majors, class rank, work experience, and age.

Age

Agecan influence personal financial management positively. Generally, older individuals are more conservative and risk adverse. The deeper life experiences may encourage the acquisition of skills to secure their financial aspirations in their life. The result also indicates that there is positive and significant relationship between age and personal financial management as P value is less than 0.05.

From the table abovethe value of Exp (B) is 3.571for those employees that included at age of between 21-50 years which indicates that employees in working age increases the odds of personal financial management by 3.571times than those employees under twenty years and greater than 50 years controlling all other factor constant. This could be due to the age distribution of the respondents who were mostly aged between 20 and 50 years who are still considered as youthful hence are yet to settle in life hence have relatively low or no family commitments. (Ansong. Gyensare, 2012), conducted a study among 250 University students of Cape Coast reveals that the age and work experience are positively related to financial literacy. Also, mother's education is positively correlated with respondent's "financial literacy.The result of this study also in line with (Murphy &Yetmar, 2010) which concluded that, young working adults have higher personal financial management than the older person.

Marital status

There is no difference on personal financial management between married and unmarried person. From the result marital status has a positive relationship with personal financial management with the value of Exp (B) 2.019. This indicates that married people has 2.019times more likely in personal financial management than unmarried. According to the study by (Taqadus, 2013), married people were highly qualified on personal financial management than unmarried person. This is may be due to providing protections for its dependents and family member; as Married women or man have more responsibilities than unmarried therefore, there are differences of the way of think between unmarried and married people. This result was in line with the findings from the study implemented by (Agrawal, 2015).

Education level

Level of education is one of the factors that influence personal financial management positively. As tabulated in table 4.30 above the odds ratio of education level increases from negative value to positive. The Exp value of employees that have masters and above indicates that1.746, which implies that a one level increase in education increases the odds of personal financial management by 1.746

times controlling for all other factors. The results of this study were in line with (Kummar &Annes, 2013) which concluded that, a need for providing formal and informal personal financial education and practice is important for personal financial management in developing countries.

Area of Specialization

One of the determinants that influence personal financial management is education background of peoples. The study conducted by (Curto, 2010) concluded that those employees who work in banking and finance sector have more financial literacy and better in personal financial management**.** In this study there is a positive and significant relationship between area of specialization and personal financial management as P value is less than 0.05. For the critical factor area of specialization has the value of Exp (B) 5.616which implies that Financial and financial related specialized respondents increases the odds of personal financial management by 5.616times than non financial background employees controlling all other factors. The results of this study were in line with the study conducted by (Jeyaram &Mustapha , 2015) emphasized on significance of financial education and knowing the concept of finance is very important in managing personal finances. (Ciumara, & Tudor, 2012) considered financial education in his study and found that students enrolled for Accountancy course and Business Administrations were more financially literate than students in another courses. The result also founds that Students enrolled for financial education manage their personal finances more than students enrolled in another courses.

Work Experience

The developed hypothesis stated that employees experience in work place influences personal financial management positively. Similarlythe study found positive relationship between experience on work and personal financial management as indicated in the above table. For the critical factor the value of Exp (B) is displayed as 1.295 for those employees that have more than ten years' experience, which implies that one year increase in work experience increases the odds of personal financial management by a factor of 1.295controlling for all other factors. This indicates that experience in the work place helps the employers to get more information on their personal financial management this is due to the employee's job activity or from the workers that works together. The results of this study were in line with (Chen & Volpe, , 1998).

Income

One of the factors that influence personal financial management is salary of employees. The study found that there was a statistically significant and positive relationship between income of respondents and personal financial management with the value of Exp (B) 3.074which implies thatone birr increase in salary of respondents increases the odds of personal financial management by 3.074times controlling all other factors constant. A study conducted by (Al-Tamimi et al, 2009), demonstrated that, the level of financial literacy varied with people's education, experience, age, income, and gender. Particularly the study concluded that employee's income has a significant effect on personal financial management.

Financial Attitude

Financial attitude can be considered as the psychological tendency expressed when evaluating recommended financial management practices with some degree of agreement or disagreement (Parrotta et al, 1998). The findings presented in above table showed that there was statistically significant and positive relationship between financial attitude and personal financial management as P value less than 0.05 and Exp (B) of 3.447 which indicates that, with all other variables held at zero, a unit change in Financial Attitude would lead a probability of increase in personal financial management by 3.447 times. This indicates that Positive and significant relationship between financial attitude and personal financial management.

A number of researches have concluded that financial attitudes play an important role in determining a person's financial behavior (Davis & Schumm, 1987; Shih & Ke, 2014). Financial attitudes shape the way people spend, save, hoard, and waste money (Furnham, 1984). The results were also in line with (Mien & Thao, 2015, Potrich, 2016).

Financial knowledge

It is a generally held argument that improved financial knowledge is said to result in more responsible financial behavior and hence effective financial decisions (Tang, Baker &Peter, 2015)
Empirical evidence has shown that a higher level of knowledge is positively related to individuals engaging in a number of “best practice” financial behaviors, such as possessing an adequate emergency fund, monitoring credit reports, avoiding checking account overdrafts, avoiding revolving debt, owning a dedicated retirement account, and having insurance protection (Robb, 2014).

This study found that there is statistical significant and positive relationship between financial knowledge and personal financial management as p value< 0.05. For the critical factor financial knowledge the value of Exp (B) is displayed as 2.896 which imply that a one unit increase in financial knowledge increases the odds of personal financial management by a factor of 2.8961controlling for all other factors. This indicates that a person that has a financial knowledge were 2.896 times more likely to manage their personal finance than a person without financial knowledge. This indicates that the person with more financial know –how has good personal finances in saving, investing and expending their real life. The finding of this research is consistent with past studies undertaken by (Robb &Woodyard, 2011). The authors conducted that there were a positive relationship between financial knowledge and personal financial management in the decision making.

Financial Behavior

Similarly a study found that a positive relationship between financial behavior and personal financial management. The value of Exp (B) is displayed as 1.160 which indicate that a one unit increase in financial behavior would lead an increase in odds ratio of personal financial management by times and this change is not statistically significant as the p- value is greater than 0.05. The result of this study was in line with (David 2013 &Kumar 2014), which concluded that improved financial behavior can make a significant difference for personal financial behavior, above and beyond regular schooling.

Table: 4.32.Hypotheses Test Results

Hypothesis	Sign	Decision
H1: Gender have no effect on personal financial management		Not supported
H2: Age will have positive effect on personal financial management	+vely	Supported
H3: Marital Status have no effect on personal financial management		Not supported
H4: Education level have a positive effect on personal financial management	+vely	Supported
H5: Income of employees have a positive effect on personal financial management	+vely	Supported
H6: Area of specialization have a positive effect on personal financial management	+vely	Supported
H7: Work experience have a positive effect on personal financial management	+vely	Supported
H8: financial attitudes have a positive effect onpersonal financial management behavior.	+vely	Supported
H9: Financial knowledge have a positive effect on personal financial management	+vely	Supported
H10: Financial behavior have a positive effect on personal financial management	+vely	Supported

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMEDATIONS

5.1 Introduction

This chapter presents the summary and conclusion of the study and offers recommendations to not only to employees of financial and non- financial sectors Jimma town but also to other stakeholders.

5.2 Summary of the Findings

This study was driven to examine the effect of financial literacy on personal finance management among employees of financial and non- financial sector in Jimma town.

In this study, the descriptive and inferential statistics was used to examine the effect of financial literacy on personal finance management. The target populations of this study were all employees (1554) assigned by Jimma town civil service as at January 2020 employee database. The sampling frame for this study was multistage sampling. First purposive sampling was used to select government employees assigned by Jimma town civil service, and then the employees were grouped in to two strata by using stratified sampling techniques. The study used convenient sampling to select different employees from the study stratum.
To estimate the sample size, the study used (Rothar, 2004) formula which gave a study sample of 282 employees. Primary data were collected through structured questionnaires. SPSS was used to analyze the data. Statistical frequencies like percentages were used to analyze the various differences in population demographics. Means and standard deviations were used to determine the strength of the various financial literacy indicators. Cross tab and independent sample t-test was also used to determine the existing relationships of the study variables. The findings were presented in tables. Logistic regression analysis was also conducted to establish the relationship between financial literacy and personal financial management using the variables.

From the study findings, on demographic characteristics of the respondents there were slightly more male respondents than female respondents. Majority of the respondents were aged between21-50 years. On the level of education, majority of the respondents had degree level and diploma level of education non-financial and financial education. Most respondents had below ten years of work experience in the sector. The study revealed that most of the financial and non-financial employees has good rate of employees personal financial management as majority of the respondents taken financial literacy training. Similarly the study shows that most of the financial and non-financial sector employees get financial knowledge from workplace followed by educational background and media.

The finding of the study indicates that there were difference between financial and non-financial sector employees on the financial knowledge and attitude. Financial sector employees have higher financial knowledge and attitude than non-financial sector employees, but they are similar in financial behavior. From the result of the study, there is medium relationship between financial literacy practices i.e. financial knowledge, attitude and behavior and personal financial management practices i.e. financial planning and debt management.

On the level of financial literacy and its effects on personal financial management the findings revealed that most participants were financially literate either from their university training on finance related discipline or working experience in the sector.

5.3 Conclusions

This section comprises of conclusions on the specific research objectives of the study based on the research results and findings in comparison to the literature review. The study aimed at examining the effect of financial literacy on personal financial management practices.

One of the objectives of this study was to determine the financial literacy level of the respondents. The descriptive statistics employed in the study showed that, the overall financial literacy score of financial and non-financial sector employees were 68 Percent. This indicates that most participants have moderate level of financial literacy that acquired through training, media or work experience.

Personal financial management practices among employees in the finance and non-finance sector were also described in this study. The personal financial management practices used in this study was financial planning practice, debt management and investment plan practices. The study revealed that majority of the financial and non-financial sector employees prepare financial plan and manage their debt, however most of the respondents has no investment plan. This shows that the employees have good practices in financial planning and debt management, but their investment practices were low. The overall personal financial management practices of financial and non-financial sector employees were at good level.

The relationship between financial literacy and personal financial management practices was also examined in this study. The correlation result indicates that the first indicator of financial literacy .i.e. financial knowledge has strong relationship with financial planning and debt management, however financial attitude and behavior has medium relationship with financial planning and debt management.

Similarly the study evaluated the influence of financial literacy domains on management of personal finances among employees. The study found that financial attitude and knowledge have statistically significant positive effects on overall personal financial management practices. Yet the study didn't find a statistically significant effect of financial behavior.

The study also sought to establish effects of gender, age, level of education, marital status, and work experience, area of specialization and income of employees on personal financial management. The findings conclude that age, area of specialization and income of employees strongly influenced the personal financial management.

5.4 Recommendations

- The study recommends that the employer should make a plan to take their employees through yearly financial literacy training programs as this will not only be beneficial to the personal lives of employees, but also for the organization.
- Financial literacy and sound financial management practice has been observed with the respondents working at financial sector, and thus the similar practices should be employed

by employees at non-financial employees. This will be beneficial not only to the employee but also for the organization.

- The government should develop different financial literacy program and initiate non financial sector employees to take a financial literacy training program.
- The employees should strive up their financial literacy skills by attending financial workshop seminars/training, reading financial journals or otherwise. This would equip the employee's personal financial management with necessary skills in formulating and managing their personal finance that is premised on a sustainable expenditure, saving and investment plans aimed at long-term financial freedom.
- Both financial and non-financial sector employees should have to practice saving, planning and investing habit to increase their personal financial management level.

5.5 Recommendation for further studies

- The main objective of this research is to understand the effect of financial literacy on personal financial management and in order to increase the research generalizability power the researcher recommend for other researchers to broaden the scope of the research by concerning other areas as well as other government sectors.
- This study identified three indicators of financial literacy with the effect of demographic and socio economic variable the future researcher suggested to do the same topic by controlling the effect of demographic and socio economic variables**.**
- This study considered the effect of financial literacy on personal financial management by using sample from government employees of financial and non financial sector, the same study were suggested by future researcher by including non-government employees.

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APPENDIX

JIMMA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

Dear Respondent,

The purpose of this questionnaire is to enable me to carry out a research on "effect of financial literacy on personal financial management" for the partial fulfillment of master's degree in Accounting and Finance. The research mainly focuses on financial and non-financial sector employees in jimma town. I would like to assure you that the information you provide will be strictly held confidential and used for academic purpose only. Moreover, these questionnaires' should only take about 10 minutes of your time.

I am grateful for your cooperation in advance.

NB: writing your name is not necessary

Put "X" for your choice in the box provided

Part A: Personal Information and operational characteristics

1. Gender Male [ ] Female [ ]

2. Age Less than 20 years old [ ] 21-50 Years old [ ] Greater than 50 years old [ ]

3. Marital status Married [ ] Unmarried [ ]

3. Education Level High school or below [ ] Diploma [ ] Degree [ ] Masters or above [ ]

4. Income Less than birr 5,000 per month [ ] More than birr 5,000 per month [ ]

5. What is your area of specialization? Financial [ ] Non-financial [ ]

6. If financial which department do you work for? Sales [ ] Credit [ ] Treasury [ ] Trade andFinance [ ] ICT [ ]

7. Whatisyour work experience in the sector? Below 5yr [ ] 6-10yrs [ ] 11-15yrs [ ] 16-20yrs [ ] Above20yrs [ ]

8. Does work experience helps you to manage your personal finance? Yes [ ] No [ ]

Part B: Management ofPersonal Finances

1. Do you have a savings plan that could sustain your recurrent expenditures in case of unexpected loss of employment income? Yes [ ] No [ ]
2. If yes, what proportion of your earnings do you save?
   1 – 10% [ ] 10 –20%[ ] 20-30% [ ] 30-40% [ ] Above40%[ ]
3. Other than your employer's group pension plan, do you have a well outlined personal investment plan? Yes[ ] No [ ]

If yes, a) How do you score your current level of investment?

Very high extent [ ] High extent [ ] Moderate extent [ ] Low extent [ ]

b) How satisfied are you with your present rate of investment.

Very satisfied [ ] Satisfied [ ] fairlysatisfied [ ] Not satisfied [ ]

4. Have you undertaken financial literacy training? a. Yes b. No
5. What is your source of financial literacy? Workplace [ ] Media [ ] Investment groups [ ] education background [ ] Others (Please state)
6. Do you manage Loan received from anybody? Yes [ ] No [ ]
7. Do you manage your personal finances? Yes [ ] No [ ]
8. What is your current rate of employee's personal financial management?
   Low [ ] Fair [ ] Good [ ] Excellent [ ]

PART C; Financial Literacy

Please indicate the most appropriate number that describe your financial literacy on the scale; 1= strongly disagree, 2=disagree, 3= neutral, 4= agree, 5= strongly agree

No	Statement to be evaluated	1	2	3	4	5
	Financial Attitude					
1	important to control monthly expenses					
2	important to establish financial targets					
3	the way i manage money today will affect my future					
4	my short term decision affected by my long term financial goals					
5	my social environment contributed to my financial skill					
6	my parents have influenced my money management skill					
	Financial knowledge					
1	It is safer to put money in to one business rather than putting multiple business multiple business(diversification)					
2	I know the effect of interest rates on my decision to save and invest					
3	I Buy insurance coverage of any kind					
	High inflation indicates increases in cost of living					
5	It is better to inherit you birr 1000 today rather than inheriting it after 3 years					
	Financial behavior					
1	I budget my monthly income and expenditure					
2	my long term financial targets influence the managing of my money					
3	I keep records of income and expenditure					
4	I Participate in social contribution of money in case of emergency like Idir					