EdinBurg Peer Reviewed Journals and Books Publishers
Journal of Finance and Accounting
Vol. 2, No. 1, pp. 1-9: ISSN 2789-0201
Email: info@edinburgjournals.org

EdinBurg
Peer Reviewed Journals & Books Publishers

Job Experience and Personal Financial Management Among Finance Managers of Insurance Companies in Kenya

[1*]Fatuma Mwarangu and [2]Dominic Ngaba
[12]Department of Finance and Accounting, Kenyatta University
Corresponding author's e-mail: fatumaw86@gmail.com

How to cite this article: Mwarangu, F., & Ngaba, D. (2022). Job Experience and Personal Financial Management Among Finance Managers of Insurance Companies in Kenya. *Journal of Finance and Accounting, 2*(1), 1-9.

Abstract

Personal finance management is important so that people can manage personal finances and make informed financial and economic decisions. People with weak personal financial abilities are vulnerable to financial stress, which can harm their physical and mental health. The purpose of this study was to establish the relationship between job experience and personal financial management among finance managers of insurance companies in Kenya. The study adopted a descriptive research design and targeted finance managers from 53 licensed insurance companies in Kenya. Data was collected using a questionnaire and analyzed using descriptive statistics and regression analysis. Results indicated that job experience explained 34.9 percent of variations in personal financial management. Further, the findings revealed a positive and significant relationship between job experience and personal financial management ($\beta=0.076$, $p=.000$). The study concluded that job experience had a positive and significant effect on the personal financial management of finance managers. The study recommended that employees should use their financial literacy knowledge and experience gained in the insurance sector to employ investment practices in their personal finances.

Keywords: *Job Experience, Personal Financial Management, Finance Managers, Insurance Companies*

1.0 Introduction

There has been a dramatic upsurge in the interest shown towards financial literacy by policymakers, scholars, and researchers in recent years. According to Navickas, Gudaitis, and Krajnakova (2014), this interest was primarily touched off by the events of the 2008 global financial crisis, where many households were exposed to severe financial challenges arising out of job redundancies, inadequate savings to pay off their housing mortgages, and significant erosion of the value of assets such as stocks and pension funds.

Other factors which have contributed to the upsurge in research regarding financial literacy and which underscore the need for individuals to attain higher financial literacy levels include: increasing sophistication of the financial system, rise in the cost of living, increased access to credit, and pension reforms (Refera & Kolech, 2015; Kebede & Kuar, 2015). As a result, the inability to acquire financial literacy can have a negative impact not only at the individual level but also at the national level; thus, the link between financial literacy and personal financial

EdinBurg
Peer Reviewed Journals & Books Publishers

management practices requires special attention, particularly in developing countries that have received special attention.

In the 21st century, the complexity of the financial system has increased (Hilgert & Hogarth, 2003). Because of ongoing technological advancements, the social and economic environment in which people make financial decisions is constantly evolving. The services and products offered in financial markets also change depending on marketing trends. A large number of low-wage, older and disadvantaged people in Kenya face many challenges when it comes to meeting their pressing obligations. This has been made harder by the ever-increasing inflation. A study by Fine Access found that most people in Kenya rely on transfers as a source of income. The level of remittance is 52 percent within Kenya, while that from the diaspora has increased from 2.8 percent to 4.3 percent from 2006 to 2009(Central Bank, 2009).

In research conducted by Fin Access (2016), it was revealed that 57.3% of Kenyans take credit to finance their day-to-day needs, while only 15.8% and 14.7% take loans to invest for business purposes and house/land purposes respectively. According to Letiwa (2010), Statistics show that 67.3 % of the Kenyan population says it never seeks financial advice, and 46% turn to family and friends for advice. It further states that about 36% of Kenyans are currently on loans with 28% acquiring new loans to pay off existing loans. The emergency of digital lending apps has made getting a loan very easy today. Such apps also come with very high-interest rates which Kenyans tend to overlook due to their pressing need to take the loans. More than half a million of these borrowers have defaulted and are listed at CRB (Mwiti, 2018) It is also reported that the rate of savings in the country is low. According to Letiwa (2010), 50% of Kenyans only save to satisfy their daily needs as opposed to savings for their long-term needs. The rate of retirement planning in the country is also said to be very poor with the majority of Kenyans amounting to 90% not having retirement plans (Maobe, 2017).

Fin Access (2016) also showed that only 11% of Kenyans hold a tertiary level of education, research further revealed the percentage of Kenyans' household investment products has declined from 2013 at 11.6% to 10.6% in 2016. These findings have led policymakers to support efforts to improve the management and well-being of personal finances by increasing financial literacy. Letiwa (2010) noted that 67.3% of Kenyans never seek financial advice and the knowledge they have was acquired through trial and error. This means that most of them are not in control of their finances since they are always willing to spend even if it means taking more credit.

The need for financial education has been on the rise from the 1990s to the present date. Financial literacy has been a rising agenda of government agencies, businesses, educators as well as community groups (Braunstein & Welc, 2002). Since the mid-1990s, as public concern about financial literacy has grown, so has the number of education programs (Vitt et al., 2005).

1.1 Statement of the Problem

Personal finance management is important so that people can manage personal finances and make informed financial and economic decisions. According to Gorham et al. (2009), people with a higher level of personal financial management techniques enjoy results in the form of higher savings, better creditworthiness, and the ability to make ends meet. Marican et al. (2012) discovered that people with weak personal financial abilities are more vulnerable to financial strains, which can negatively impact their physical and mental health.

Despite the growing research interest in financial literacy, the majority of research studies on the connection between personal financial management and financial literacy have been conducted with a primary focus on developed countries, with very few addressing the issue

EdinBurg Peer Reviewed Journals and Books Publishers
Journal of Finance and Accounting
Vol. 2, No. 1, pp. 1-9: ISSN 2789-0201
Email: info@edinburgjournals.org

from the perspective of developing countries such as Kenya (Refera & Kolech, 2015; Mwathi, Kubasu & Akuno, 2017). Significant cultural and institutional differences exist between developing and developed countries, and therefore, the impact of financial literacy on personal financial management is not necessarily likely to be uniform across these two contexts.

Additionally, findings generated by the few empirical studies carried out within the context of the developing country remain inconclusive (Kebede & Kuar, 2015). According to Mwathi et al. (2017), the empirical evidence offered locally on the causality between monetary literacy and personal monetary management was conflicting, making a decisive judgment on the link between the two unattainable.

Furthermore, local studies on financial literacy in the insurance industry have not focused on the personal financial management of financial managers. A good example is a study by Aluodi et al. (2017), who examined the impact of financial literacy on insurance workers' pension readiness in Kenya. Because it focuses on retirement readiness rather than managing financial managers' personal money, this study revealed a conceptual mismatch. Therefore, the current study sought to establish the relationship between job experience and personal financial management among finance managers of insurance companies in Kenya.

2.0 Literature Review

2.1 Theoretical Framework

The study was grounded on the rational choice theory developed by George Homans in 1961. People forecast alternative outcomes and make rational, realistic choices that provide the most value or fulfillment for their greatest benefit, according to this theory. This theory has several strengths: universality, in which the assumptions associated with an actor conform to a set of assumptions about the actor's environmental situation; Support, where preferences and beliefs are seen as the only relevant variables that determine action; predictable when the theory's assumptions have led to another important theory whose predictions replace what is usually considered impossible (Ogu, 2013).

The theoretical limitations include; the view of the individual as separate from society; unrealistic assumptions about cognitive and psychological theories; Lack of innovation and creativity on the part of the actors; The absence of a moral component of this theory is evident (Burns & Roszkowska, 2016). In his study, Bosetti (2004) applies this hypothesis to his findings. Bosetti's research has a similar theme to the current study, which seeks to recognize factors related to financial literacy that influence personal finance managers.

Rational choice theory is used in this study because the selection of finance managers for financial management is the result of rational decisions. Financial managers' perceptions and ratings of various factors determine personal financial management choices. Therefore, the theory provides a theoretical relationship between factors related to financial literacy (job experience) and personal financial management options for finance managers.

2.2 Empirical Review

Kamunzyu and Kariuki (2019) explored the impact of financial literacy on investment decision-making, with a focus on Kenya Ports Authority (KPA) employees. The research approach was based on a descriptive survey. The researchers found that financial literacy was positively and substantially associated with better investment decisions, with a one-unit improvement in finance skills having a positive incremental impact on the investment decision. The study also showed that a one-unit increase in debt, income, and budgeting would all have a significant incremental impact on investment decisions.

Shibia and Kieyah (2016) investigated in their research study the effect financial literacy had on individual choices concerning formal and informal financial services and financial exclusion in the region. The researchers implemented a cross-sectional analysis based on FinAccess data from 2009 and 2013, analyzing the data using Multinomial probit regressions. The findings showed that people with higher scores for financial literacy had access to formal financial services relative to those with lower scores for financial literacy and who ended up being financially excluded and were only able to access informal financial services.

Schützeichel (2019) focused on investigating the effect that financial literacy had on variables such as saving (regular saving and saving for retirement). The researcher used the probit regression technique to analyze the data, with the data being obtained from the 2016 FinAcess Kenya survey. The findings arrived at by the researcher indicated that households that were associated with higher financial literacy levels had a higher probability of saving regularly and for retirement, compared to those which had lower financial literacy levels. In that regard, the researcher provided proof of the existence of a direct and meaningful impact between financial knowledge and pension savings.

Refera and Kolech (2015) analyzed the relationship between personal financial management, experience, education, and skills among employees in Ethiopia. This survey is exploratory. Descriptive statistics have been included. The results show that employees from all organizations must be trained financially because of low financial management skills. The majority of respondents also found that work experience is very important in determining employees' personal financial management skills. However, the study did not reveal how the variables were measured. This study provides a clear measurement of the variables studied.

3.0 Methodology

The study adopted a descriptive research design. The target population consisted of 53 licensed insurance companies in Kenya. The study specifically targeted financial managers from insurance businesses. Census design was adopted since the target population was small. Questionnaires were used to collect data. The study used descriptive statistical analysis, including frequency, percentage, mean, and standard deviation, to understand the nature of the variables. Further, regression analysis was used to establish a connection between job experience and personal financial management. The study adhered to ethical standards including disclosing the intent of the study to the respondents as well as a guarantee of confidentiality.

4.0 Results and Discussion

4.1 Descriptive statistics for Personal Financial Management

Personal financial management had three measures; savings, budgeting, and investment. The descriptive statistics results are provided in Tables 1, 2, and 3.

Table 1: Savings

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
I have a savings account	8.50%	8.50%	6.40%	19.10%	57.40%	4.09	1.33
I make savings out of my monthly income	6.40%	4.30%	4.30%	19.10%	66.00%	4.34	1.17

EdinBurg
Peer Reviewed Journals & Books Publishers

I increase my saving when I receive large sums of money	4.30%	21.30%	6.40%	8.50%	59.60%	3.98	1.39
I save for long term goals	4.30%	8.50%	21.30%	61.70%	4.30%	3.53	0.88
I have set aside money to take care of emergencies	6.40%	14.90%	19.10%	42.60%	17.00%	3.49	1.14
Average						**3.89**	**1.18**

The findings in Table 1 revealed that 76.5 percent of respondents agreed with the statement that they have a savings account. Furthermore, 85.1 percent of respondents agreed with the assertion that they save a portion of their monthly income. Furthermore, 68.1 percent of respondents agreed with the assertion that they increase their savings when they get significant sums of money. Furthermore, the majority of respondents (66.0 percent) agreed with the assertion that they save for long-term goals. Furthermore, 59.6 percent of the participants agreed with the assertion that they have set aside money for emergencies.

Table 2: Budgeting

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
I draw a budget every month before any commitments	19.10%	17.00%	0.00%	59.60%	4.30%	3.13	1.31
I spend based on my budget	8.50%	6.40%	10.60%	25.50%	48.90%	4.00	1.29
I compare prices before incurring expenditure	19.10%	4.30%	6.40%	27.70%	42.60%	3.70	1.53
I often spend more than I can afford	27.70%	42.60%	8.50%	12.80%	8.50%	2.32	1.25
I am in control of my money	10.60%	6.40%	2.10%	34.00%	46.80%	4.00	1.32
I keep track of my expenses	25.50%	46.80%	4.30%	8.50%	14.90%	2.40	1.36
I read about personal financial management matters	8.50%	6.40%	10.60%	19.10%	55.30%	4.06	1.31
Average						**3.37**	**1.34**

The results in Table 2 showed that most of the respondents (63.9%) agreed with the statement that they make a budget every month before committing. The results further show that a majority of 74.4% of respondents agree that they spend their budget. In addition, the results of the study show that the majority of 70.3% of respondents agree that they compare prices before costs are incurred. The results further show that a majority of 70.3% of respondents disagree with the statement that they often spend more than they can afford. In addition, the results of the study show that the majority of 80.8% of respondents agree with the statement that they control their money. The results further show that a majority of 72.3% of respondents disagree with the statement that they monitor their costs. The results further show that most of the

respondents, 74.4%, agree with the statement that they have read about personal financial management issues.

Table 3: Investment

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
I diversify my investments by putting money into other types of investments.	6.40%	4.30%	4.30%	19.10%	66.00%	4.34	1.17
I invest out of each amount I receive	4.30%	21.30%	6.40%	8.50%	59.60%	3.98	1.39
I generally achieve my money management goals	4.30%	8.50%	21.30%	61.70%	4.30%	3.53	0.88
I worry about money matters	6.40%	14.90%	19.10%	42.60%	17.00%	3.49	1.14
I know about investments	19.10%	17.00%	0.00%	59.60%	4.30%	3.13	1.31
I have invested on stocks, bonds or mutual funds	8.50%	6.40%	10.60%	25.50%	48.90%	4.00	1.29
I make contributions to a registered retirement benefit plan.	19.10%	4.30%	6.40%	27.70%	42.60%	3.70	1.53
I discuss money management with my family	27.70%	42.60%	8.50%	12.80%	8.50%	2.32	1.25
Average						**3.56**	**1.25**

The results in Table 3 showed that most of the respondents (85.1%) agreed with the statement that they distributed their money in more than one form of investment. An additional statement shows that a majority of 68.1% of respondents agree with the statement that they invest from any amount received. In addition, most of the respondents (66.0%) agree with the statement that they achieve their money management goals. Another statement shows that the majority of 59.6% of respondents agree with the statement that they are worried about money.

In addition, the majority of 63.9% of respondents agree that they know investment. Another finding indicates that 74.4 percent of respondents agree with the assertion that they have invested in stocks, bonds, or mutual funds. An additional statement indicates that a majority of 70.3% of respondents agree with the statement that they participate in the registered pension system. In addition, the majority of respondents, that is, 70.3%, disagreed saying that they talked to their families about money management.

4.2 Descriptive Statistics on Job Experience

The respondents were asked to indicate the number of years in paid-up jobs. Results are presented in Table 4.

EdinBurg Peer Reviewed Journals and Books Publishers
Journal of Finance and Accounting
Vol. 2, No. 1, pp. 1-9: ISSN 2789-0201
Email: info@edinburgjournals.org

Table 4: Number of years in paid up job

Number of years	Frequency	Percent
6	1	2.1
8	1	2.1
9	7	14.9
10	5	10.6
11	13	27.7
12	4	8.5
13	3	6.4
14	3	6.4
15	4	8.5
16	2	4.3
17	1	2.1
18	1	2.1
20	1	2.1
21	1	2.1
Total	**47**	**100**

Results in Table 4 reveal that 2.1 percent of respondents had worked for 6 years, another 2.1 percent had worked for 8 years, 14.9 percent had worked for 9 years, 10.6 percent had worked for 9 years, 27.7percent had worked for 11 years, 8.5 percent had worked for 12 years, 6.4 percent had worked for 13 years, another 6.4 percent had worked for 14 years, 8.5 percent had worked for 15 years, and 4.3 percent had worked for 16 years. This implied that most insurance company financial administrators had been in paid-up jobs for a long duration.

4.3 Relationship between Job Experience and Personal Financial Management

Regression analysis was used to determine the effect of job experience on personal financial management among finance managers in Kenyan insurance businesses. Table 5 shows the model summary results.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.590a	0.349	0.334	0.3256

According to the findings in Table 5, job experience was determined to be a good variable in explaining personal financial management. This suggests that job experience accounts for 34.9 percent of the variation in the dependent variable, personal financial management. This finding also implies that the model used to link the variables' relationships was satisfactory. Table 6 shows the Analysis of Variance (ANOVA) results.

Table 6: Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	2.552	1	2.552	24.075	.000b
Residual	4.77	45	0.106		
Total	7.322	46			

The findings in Table 6 show that the whole model was statistically significant, as evidenced by a p value of 0.000, which is less than the essential p-value of 0.05. An F statistic of 24.075 supported this, implying that job experience was a good predictor of personal financial management. Regression coefficient results are shown in Table 7.

Table 7: Regression Coefficient

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.679	0.194		13.819	0.000
job experience	0.076	0.016	0.59	4.907	0.000

The regression coefficient results in Table 7 revealed a positive and significant link between job experience and personal financial management (β=0.076, p=0.000). This meant that a one-unit increase in employment experience would increase the personal financial management of managers by 0.076. The findings agreed with Refera and Kolech (2015) who found that work experience is very important in determining employees' personal financial management skills.

Based on the regression results, the null hypothesis that job experience had no statistically significant relationship with the personal financial management of finance managers of insurance companies was rejected. This was informed by a p value of 0.000 less than the conventional p value of 0.05.

5.0 Conclusion

The study concluded that majority of financial managers had more than six years of paid experience. The study further concluded that the link between employee experience and personal financial management was positive and significant.

6.0 Recommendations

The study recommended that employees should use their financial literacy knowledge and experience gained in the insurance sector to employ investment practices in their personal finances.

References

Aluodi, E., Njuguna, A., & Omboi, B. (2017) Effect of Financial Literacy on Retirement Preparedness among, *International Journal of Business and Management*, *12*(10), 242-251.

Bosetti, L. (2004). Determinants of school choice: Understanding how parents choose elementary schools in Alberta. *Journal of Education Policy, 19*(4), 387-405.

Burns, T., & Roszkowska, E. (2016). Rational choice theory: Toward a psychological, social, and material contextualization of human choice behavior. *Theoretical Economics Letters, 6*(2), 195-207.

Central Bank of Kenya (2019) *2019 FinAccess Household Survey* [online]. Available at: https://www.centralbank.go.ke/wp-content/uploads/2019/04/2019-FinAcces-Report.pdf (Accessed 6th June 2019).

Hilgert, A. M. Hogarth, J. M. (2002). Household Financial Management: The Connection Between Knowledge and Behavour.

Kamunzyu, B.I. and Kariuki, G. (2019) Effect of Financial Literacy on Employees Investment Decisions at Kenya Ports Authority, Mombasa Kenya, *The Strategic Journal of Business & Change Management, 6*(2), 640 - 657.

Kebede, M. and Kuar, N. (2015) Financial Literacy and Management of Personal Finance: A Review of Recent Literature, *Research Journal of Finance and Accounting*, 6(13), 92-106.

Letiwa, P. (2010). Financial literacy is about knowing how to earn and spend', *Daily Nation*, Oct 27 [online]. Available at: https://www.nation.co.ke/lifestyle/money/Financial-literacy-is-about-knowing-how-to-earn-and-spend-/435440-1041680-fi9a2mz/index.html (Accessed 19 May 2019).

Maobe, A. (2017) 'Financial Literacy and Retirement Planning in Kenya. *Journal of Finance*, *5*(4), 1-25.

Mwathi, A.W., Kubasu, A. and Akuno, N. (2017) Effects of Financial Literacy on Personal Financial Decisions among Egerton University Employees, Nakuru County, Kenya, *International Journal of Economics, Finance and Management Sciences*, *5*(3), 173-181.

Mwiti, L. (2018) *Mobile loans crisis as 500,000 get blacklisted* [online]. Available at: https://www.standardmedia.co.ke/article/2001283051/mobile-loans-crisis-as-500-000-blacklisted (Accessed 19 May 2019).

Navickas, M., Gudaitis, T. and Krajnakova, E. (2014). Influence of Financial Literacy on Management of Personal Finances in a Young Household, *Business: Theory and Practice*, 15(1), 32–40.

Ogu, M. I. (2013). Rational choice theory: Assumptions, strengths, and greatest weaknesses in application outside the western milieu context. Nigerian Chapter of Arabian Journal of Business and Management Review, *62*(1087), 1-10.

Refera, M., & Kolech, A.G. (2015) 'Personal Financial Management Capability among Employees in Jimma Town, Southwest Ethiopia: A Pilot Study', *European Journal of Contemporary Economics and Management*, *2*(2), 29-53.

Schützeiche, T. (2019) Financial literacy and savings for retirement among Kenyan households [online]. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3359612 (Accessed 7 June 2019)

Shibia, A.G. and Kieyah, J. (2016) Effects of Financial Literacy on Individual Choices among Financial Access Strands in Kenya, *International Journal of Business and Economics Research*, 5(1), 10-18.

Vitt, L.A., Reichbach, G.M., Kent, J. L., Siegenthaler, J.K. (2005). Goodbye to complacency: Financial literacy education in the U.S. 2000-2005. Washington DC: AARP. URL: http://www.isfs.org/GoodbyetoComplacency.pdf.