

The Effect of Financial Literacy on Personal Financial Management Practices: In the Case of Employees of Ethiopian Civil Service University

Sofoniyas Mekonnen

Abstract

The purpose of the study was to assess financial literacy and its effect on the personal finance management of employees of Ethiopian Civil Service University. The study was guided by the following specific objectives: to determine the effect of financial literacy on personal savings, to determine the effect of financial literacy on expenditure practices, to determine the effect of financial literacy on personal debt management and to determine the effect of financial literacy on personal investment choices. A descriptive quantitative research design was used for the study, which focused on the 1259 employees of the university. Data was collected using structured questionnaires, which were distributed using convenience sampling to the employees of the university. A sample of 303 employees from the population was conveniently sampled who comprised both academic and administrative staff. The completed questionnaires were keyed in the SPSS statistical software, and data was analyzed for descriptive statistics. In addition, one focus group discussion was conducted. The study found that financial literacy positively affects personal finance management among the employees of the university, which leads to more diversified savings, good expenditure practices, better investment practices, and good money management practices. Lack of financial literacy was indicated to hamper the personal financial management of the employees in the university. The researcher also sought to establish the effects of gender, area of specialization, level of education, work experience and salary range on personal financial management. The findings conclude that these factors strongly influenced personal financial management. In conclusion, results indicate that the majority of the respondents save less proportion of their salaries. This can be attributed to the

high cost of living and individual's financial discipline. Based on the research findings, the researcher recommends the university should have various financial literacy training programs for their employees to match the financial literacy of the employees to their propensity to save and invest. From the research findings, the government is advised to initiate subsidy programs that will lessen the cost of living and cultivate a culture of savings and investment among its citizen. The study further recommends that individuals should develop comprehensive saving and investment plans backed by prudent expenditure habits.

Keywords: Financial Literacy, Personal Financial Management

Introduction

Over the past decade, the stability of the world economy has declined, and the recession has caused increasing inflation, unemployment and a reduction in income levels. The quality of individual lives and work is affected by the complexity of financial decisions and economic recession, and researchers investigate ways to deal with them (Taft et al., 2013). Today ability and knowledge to manage one's personal finance has become increasingly important.

The ability of individuals to manage their savings, spending and investments of their financial resources indicates personal financial success (Ullah & Bagh, 2019).

According to Godwin and Carroll (1986), financial management is defined as a set of behaviours which

* Consultant, Center for Public Financial Management Training and Consultancy, Ethiopia.
Email: sofo.mekonnen@gmail.com

includes cash management, credit management, financial planning, investments, insurance, retirement planning, and estate planning which requires an understanding of basic concepts of finance and economics, such as interest and inflation, and performing some computations, risk diversification, awareness of financial products and ability to choose the one with one's own best interest.

According to Nye and Hillyard (2013), financial literacy measures the degree to which one understands key financial concepts and possesses the ability and confidence to manage personal finances through appropriate short-term decision-making and sound, long-range financial planning while mindful of life events and changing economic conditions.

However, conceptually, financial literacy refers to skills, and existing measures of financial literacy are dominated by measures of objective knowledge. Lusardi (2008) asserts that basic financial knowledge is the working of interest compounding, the basics of risk diversification and the difference between nominal and real values. Financial literacy affects financial decision-making, and ignorance about basic financial concepts can be linked to a lack of retirement planning, poor borrowing behaviour and lack of participation in the stock market. Financial literacy is measured by percent correct on knowledge tests where each question has a right answer (Al-Tamimi & Kalli, 2009).

Ethiopian Civil Service University comprise employees who are varied across many demographic groups, including those with minimum graduate education level and a broader age group. Whereas financial behaviour is positively affected by financial literacy, the effects of various forms of financial education on financial behaviour are less certain. In this regard, though employees have more financial education, they must portend significantly better financial management practices. It is becoming increasingly important to enhance financial education to increase financial literacy to improve the ability of individuals to more effectively use various financial services and products for their best interest (Lusardi & Mitchell, 2014). Therefore, the aim of this study is to examine the effect of financial literacy on the personal financial management practices of employees at Ethiopian Civil Service University.

Statement of the Problem

The importance of financial literacy, both in academic and policy circles, has been growing for fact; regardless of the economic development and general literacy level of a nation, people across the world are found to have a low level of financial literacy which negatively affects personal financial decisions and outcomes (Lusardi & Mitchell, 2014).

People with low financial literacy are more likely to have problems with debt Lusardi and Tufano, (2009), less likely to participate in the stock market Maarten van Rooij (2007), and less likely to choose mutual funds with lower fees Hastings and Tejada-Ashton (2008), less likely to accumulate wealth and manage wealth effectively Kojo Oseifuah (2010), and less likely to plan for retirement (Lusardi & Mitchell, 2009).

Individual productivity at the workplace is considerably affected by financial problems employees face (O'Neill et al., 2005). Employees are increasingly suffering from stress, and this is a result of money problems. This included financial problems from behaviours such as over-indebtedness, overspending, unwise or poor credit habits, poor spending decisions and money management, as well as a lack of sufficient money to make ends meet.

Financial management and well-being of employees is becoming an area of concern. Despite much exposure to financial education and the availability of financial information, there is a call for enhanced financial education to improve the ability of individuals to more effectively use various financial services and products for their best interest (Lusardi & Mitchell, 2009). It is, therefore, important to appreciate the financial education needs of individuals at various stages in their lives and how financial literacy initiatives can best address these needs. It will be helpful to understand how individuals prefer to receive knowledge and skills in various financial issues and how financial literacy can best impact individuals busy with jobs and families.

There are key factors that affect the effectiveness of financial literacy in the financial management of people. These include economic factors, individual behaviours, individual attitudes and demographic factors. This study

seeks to investigate the influence of these factors on the financial literacy and financial management practices of employees at Ethiopian Civil Service University. This will help to create an understanding of whether financial literacy is effective in enhancing the financial management of employees.

The financial literacy level tends to vary according to income and education levels. However, evidence shows that highly educated consumers with high incomes can just be as ignorant about financial issues as less educated lower-income consumers. Although extensive research has been done mostly in Europe and America on personal financial management practices, this area of research is relatively new in Ethiopia as the researcher needs to be made aware of any related study on this topic that has been carried out on financial education literacy. Therefore, there is a knowledge gap on the role of financial education in personal financial management practice.

The general objective of this study is to examine the effect of financial literacy on the personal financial management practices of employees at Ethiopian Civil Service University. The following are the specific objectives of this study:

- To investigate the effect of financial literacy on Personal Savings.
- To investigate the effect of financial literacy on Expenditure practices.
- To investigate the effect of financial literacy on Personal Debt Management.
- To investigate the effect of financial literacy on Personal Investment choices.

Materials and Methods

Research Design

Creswell et al. (2007) noted that research design is the blueprint for fulfilling research objectives and answering research questions. In other words, it is a master plan specifying the methods and procedures for collecting and analyzing the needed information. It ensures that the study would be relevant to the problem and that it uses economic procedures.

The same authors discuss three types of research design, namely exploratory (emphasizes discovery of ideas and

insights), descriptive (concerned with determining the frequency with which an event occurs) and explanatory (concerned with determining the cause and effect relationships). Therefore, the type of research to be employed in this study would be a descriptive research design.

Research Approach

There are three approaches to conducting any research: Qualitative, Quantitative and Mixed approaches. According to Saunders et al. (2019), the mixed method approach is the general term for qualitative and quantitative data collection techniques and analysis procedures used in research design. In this study mixed-method approach was employed to ensure the effectiveness of the research process as the findings of the qualitative data enhance the findings of the quantitative one and vice versa. The mixed method research approach has three general strategies that are sequential, concurrent and transformative mixed methods. From those strategies, the researcher used a concurrent mixed method. This strategy gives a chance for the researcher to join qualitative and quantitative data in order to provide an inclusive analysis of the research problem.

Source of Data

In this study, the primary data was obtained from the sampled employees of Ethiopian Civil Service University. The data relevant to the issues of the study were collected using questionnaires. In addition, the researcher will be used focus group discussion with the sample to obtain the necessary information.

Data Collection Instrument

For quantitative data, the researcher used a cross-sectional survey. A cross-sectional survey collects data to make inferences about a population of interest (universe) at one point in time. Cross-sectional surveys have been described as snapshots of the population they gather data (Creswell, 2003). The survey was conducted using both closed-ended and open-ended structured questionnaires. The questionnaires distributed to the respondents have two parts the first part aimed at the collection of demographic information of the participants, and the second part used

five-point Likert scales to measure personal financial management practice. Whereas for qualitative data, the researcher conducted focus group discussions with the sampled employees.

Sampling Techniques

In selecting the sample, three factors determine the size of an adequate sample: the nature of the population, the types of sampling design and the degree of precision desired (Kizilaslan, 2006). The target populations of the study are 1259 employees of the university, which are 286 academic staff and 973 administrative staff. In order to take a sample from this number, the researcher used the Seloven sampling formula using a 95% of the confidence interval.

$$n = \frac{N}{1 + N(e^2)}$$

$$n = \frac{1259}{1 + 1259(0.05)^2}$$

$$n = \frac{1259}{4.1475}$$

n = 303

Where: n = sample size

N = target population

e = margin of error (5%)

The questionnaires were proportionally (for academic and administrative staff) distributed randomly for the sample selected because the respondents were homogeneous for the study issue.

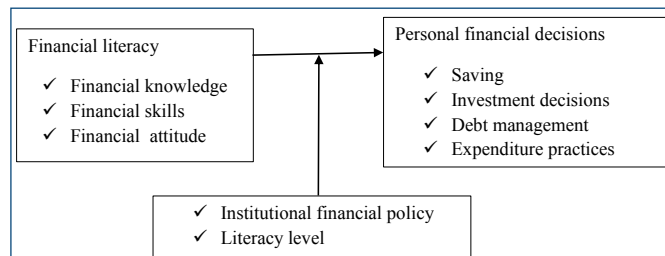
Finally, the researcher will be conducted a focus group discussion (FGD) with one group.

Method of Data Analysis

In order to reach meaningful facts and conclusions, the study explained the effect of financial literacy on personal financial management. Data gathered through the questionnaires will be examined by SPSS. In generating the actual results, frequency tables were generated to determine the number of respondents who expressed their opinion on a particular item. Based on the frequency

tables generated from SPSS, the descriptive statistic was used to analyze and describe the findings.

Conceptual Framework



Source: Developed by the Researcher.

Results and Discussion

The purpose of this study was to determine the effect of financial literacy on personal finance management decisions made by the employees of Ethiopian Civil Service University. This chapter presents the study results and findings.

Response Rate

Out of the three hundred (300) questionnaires sent to the target population, two hundred ten (213) usable responses were collected, representing a 70.3% response rate implying that 29.7% of the questionnaires were not returned. Despite this, the target population was fairly represented, considering that key personnel relevant to the study were reached. It is considered that a response rate of anything over 30 percent in a survey is acceptable (Fowler, 2002).

In addition, the data were collected from the employees using focus group discussion (FGD).

Data Reliability

Before proceeding to analyze the results found from the questionnaire, the reliability of the effect of financial literacy on personal financial management practice of parameters distributed to employees is checked using SPSS software. Table 1 below shows the data reliability of each parameter of personal financial management practice. Cronbach's α (alpha) (Cronbach, 1951) is a coefficient of reliability. It is commonly used to measure the internal consistency or reliability of a psychometric test score for a sample of examinees.

Table 1: Data Reliability Checking

No.	Personal Financial Management Parameter	Mean	Variance	Number of Items	Cronbachs α
1	Personal Saving	3.1197	0.731	6	0.763
2	Expenditure Habit	2.6175	0.512	10	0.794
3	Debt Administration	2.4736	0.726	5	0.605
4	Investment Preferences	2.5623	0.765	5	0.782
5	MoneyManagement Practices	3.0565	0.602	4	0.556

Source: Field Survey, March 2019.

The five factors were personal saving, expenditure habit, debt administration, investment preference, and money management practice. Each factor was assessed for reliability using Cronbach’s α . As cited by Tavakol and Dennick (2011), the reliability coefficients of the factors, along with the measures of personal financial management, exceeded the value of 0.5 recommended (Peterson, 1994). Therefore, each factor and the related items are analyzed and interpreted.

Management of Personal Finances

Financial literacy is the ability to make informed judgments and to take effective actions regarding the current and future use and management of money (Kefela, 2011). Financial literacy includes the ability to understand financial choices. For example, the ability to compare offers before applying for a credit card, having current and savings accounts, having a bookkeeping system, and planning for the future like saving or investing for long-term goals like education, home, vacation etc. Financial literacy also calls for wise spending. This means preparing budgets, tracking expenditures, paying bills on time, and ensuring that credit card balances are paid in full each month. Financial literacy affects financial decision-making. Ignorance about basic financial concepts can be linked to a lack of retirement planning, lack of participation in the stock market, and poor borrowing behaviour (Lusardi, 2008).

Poor financial behaviours are personal and family practices that have a consequential, detrimental and negative impact on one’s life at home and work (Thomas, 1989). Thomas provides examples of poor financial behaviours that negatively impact one’s family life, for example, regularly running out of money, being unable to pay due bills on time (utilities, rent, credit cards etc.), typically not contributing to a pension plan, regularly feeling emotionally stressed about money and many others.

Personal Saving

From the results, the majority (35.5%) of the respondents reported a monthly salary of between Ethiopian birr 5000 and 10000, 27.0% reported between 2000 and 5000, 3.8% reported a salary of 500 to 2000, and 33.6 % above 10000. The majority (65.4%) of the respondents said they had a saving plan that could sustain their recurrent expenditures in case of loss of employment, while 34.6% reported a lack of such a plan. From the results, the majority (68.6%) of the respondents sustain their savings in case of loss of employment in 0-3 months, 22.1% reported between 4-6 months, 5.7% reported 7-12 months and 3.6 % above one year. The majority (48.9 %) of the respondents reported that they save below 10% of their salary every month, 23.4% of the respondents reported saving between 11 to 15 percent of their salary every month, 12.8% save between 16 to 20 per cent, 7.8% save between 21 to 25%, 5.0% save between 26-30% and 2.1% save above 30% of their salaries every month. A general rule of thumb is that we should be saving at least 10% to 15% of our income. This is just a minimum amount; it is advisable to save more. This indicates that the majority of the respondents save a small proportion of their salaries.

Personal Saving as Financial Literacy Measurement Factor

For the analysis of personal savings, six measuring items are distributed to employees, and the responses are analyzed and interpreted according to the values of the frequency and percentage described below.

The frequency and percentage of the six items of personal saving measurements. From the questionnaire, by adding the percentage values of “strongly agree and agree”, 60.1 % of the respondents agreed that they have a regular saving account in a bank, but 23.6% of employees do not agree. Similarly, for item No. 2, by adding the

percentage value of strongly agree and agree, 38.4% of the respondents said they save money other than in the bank, but 46.3% of employees did not agree. On the other hand, when adding strongly agree and agree for item No.3, it is found that 72.8% of the respondents agree that increase savings when receiving a salary increase, but 16% of the respondents did not agree on this. The summation of strongly agree and agree percentages for the value item No. 4 shows 55.8% of the employees agreed that a kind of person who always looks to save money, but 23.3% of the respondents did not agree on this and for item No. 5 when to add strongly agree and agree percentage value 21.4% of the respondents said that I have enough money to pay for an emergency, but 51% did not agree on this. For the last personal saving measurement item No. 6, when adding strongly agree and agree to percentage, 34.6% of the respondents said they save money for long-term goals such as education, car or home, but 53.3% of the respondents did not agree on this. When this value is described in terms of mean, the mean value of the respondents' response is 3.12. The conclusion from this breakdown is that respondents' personal saving habits are low.

Finally, when this result was triangulated using the focus group discussion, results showed that the main challenges of the respondents for low saving practice are the monthly income and expenditures are unbalanced. They said that most of the time, the expenditure is greater than the monthly income, so there is no money left for saving.

Saving Practices of Respondents by Category

Saving is defined as what is left out of personal disposable income. Alternatively, personal disposable income is defined as income after taxes is paid (Urban Institute, 2008). Saving may also be seen as the difference between income and consumption. This implies that savings automatically decline as consumption increases (Lusardi, 2008). The following is a summary of the responses on saving.

The gender of respondents and their saving practice has no significant difference between males and female. The male mean value is 3.2282, and the female value is 3.2430. Those who were financially literate recorded a mean of 3.4673, while those who have not had a mean of 3.1430 out of the maximum of 5.0 points. Most financially educated respondents were always looking for

other opportunities to save money, setting aside money for future needs and saving out of each payment they received, unlike their counterparts.

The educational level of the respondents has an influence on their saving habits. Diploma graduates have a mean value of 3.6146, and degree holders have a mean value of 3.4139 and masters, and above graduates' mean value is 2.9903. From this, the researcher concludes that diploma holders have better-saving practices than degree holders and masters and above.

The finding shows that respondents with work experience between 11-15 years and 16-20 years have less attention to saving which is the mean values of 2.6488 and 2.9182, respectively.

When the saving practice of the respondents compared using salary, the range from 5000- 10000 birr earners are low saving practices than the other category.

Expenditure Habit

Expenditure Habit as Financial Literacy Measurement Factor

For the analysis of expenditure habits, ten measuring items are distributed to employees, and the responses are analyzed and interpreted according to the values of the frequency and percentage described below.

The frequency and percentage of the ten items of expenditure habit measurements. From the questionnaire, by adding the percentage values of "always and often", 31.9% of the respondents have a weekly (or monthly) budget that follows, but 38.2% of employees do not have a weekly (or monthly) budget that follows. Similarly, for item No. 2, by adding the percentage value of always and often, 35.6% of the employees are spending money according to the plan, but 32.7% of employees did not spend money according to the plan. On the other hand, when to add always and often for item No. 3, it is found that 19.3% of the respondents are they keep records of income and expenditure, but 62% of the respondents did not keep records of income and expenditure. The summation of the always and often percentage for the value item No. 4 shows that 7.8% of the employees buy insurance coverage of any kind, but 83.5% of the respondents do not buy insurance coverage and for item No. 5 when to add always and often percentage value 27.1% of the

respondents exercise comparative buying but 42.9% did not. Adding the percentage values of always and often for item No. 6, 18.6% of employees follow business news, but 54.6% of the respondents did not follow business news.

On the other hand, when we add the percentage values of always and often of item No. 7, it is about 25.6% of employees said that monthly expense match with monthly income, but 46.3% of respondents did not match monthly income with the expense. Adding the percentage value of always and often for item No. 8, 17.6% of employees makes payments on large debts as scheduled, but 52.4% did not. For item No. 9, when to add always and often, 62.2% of the respondents pay rent/mortgage and other living expenses (i.e., phone and utilities) on time each month, but 18.4% did not pay. For the last expenditure habit measurement factor, item No. 10, when to add the always and often percentage, 30.1% of the respondents spend more than they can afford, but 46.2% did not afford it. When this value is described in terms of mean, the mean value of the respondents' response is 2.62. The conclusion from this breakdown is that respondent's personal expenditure practice is poor.

The result of the focus group discussion also shows that most of the participants have no expenditure plan and record practices.

Expenditure Practices of Respondents by Category

For the analysis of expenditure habits, ten measuring items are distributed to employees, and the responses are analyzed and interpreted according to the values of the frequency and percentage described below.

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and expenditure. The summation of the always and often percentage for value item No. 4 shows that 7.8% of the employees buy insurance coverage of any kind, but 83.5% of the respondents do not buy insurance coverage. For item No. 5, when adding the always and often percentage value, 27.1% of the respondents exercised comparative buying, but 42.9% did not. Adding the percentage values of always and often for item No. 6, 18.6% of employees follow business news, but 54.6% of the respondents did not follow business news.

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The result of the focus group discussion also shows that most participants have no expenditure plan and record practices.

Debt Administration

Debt Administration as Financial Literacy Measurement Factor

For the analysis of debt administration, five measuring items are distributed to employees, and the responses are analyzed and interpreted according to the values of the frequency and percentage below.

As a result, when to add the always and often Likert scale percentage value of responses, it is seen that 62.3% of the respondents repay the money owed on time, but 20.6% of the respondents did not repay the money owed on time. Moreover, by adding the always and often Likert scale

percentage values of responses, 6% of the respondents received a loan from a bank, but 83.2% of the respondents did not. So from this analysis, the researcher concludes that the majority of the respondents repaid the loan on time and did not take a loan from a bank. On the other hand, in the summation of always and often of the percentage value of item No. 3, 14.5% of the respondents received a loan from Micro Finance Institution (MFI), but 75.3% of the respondents did not. By adding always and often percentage value of item No. 4, 10.4% of the respondents received loans from other sources, but 68.3% of the respondents did not. Lastly, by adding always and often percentage value of item No. 5, 49.5% of the respondents used the debt for the intended purpose, but 30.5% of the respondents did not. When this value is described in terms of mean, the mean value of the respondents' response is 2.47. The conclusion from this breakdown is that respondents' debt administrations are poor.

Debt Administration Practices of Respondents by Category

Debts can be accumulated either by borrowing interest-linked funds and not paying on time hence attracting penalties or by borrowing money and using it mainly for consumption. This can either be through delaying paying bills or even credit card purchases not cleared at the end of the credit period. Nyamute and Maina (2011) suggests that one should avoid buying consumables on credit and rather pay cash wherever possible. The summary of debt management practices of respondents is summarized below.

The gender of respondents and their debt administration practices has difference between male and female. The male mean value is 2.3504, and the female mean value is 2.6747. This shows females have relatively a good debt administration practices than males. Those who were financially literate recorded a mean of 2.3725, while those who have not had a mean of 2.4651 out of the maximum of 5.0 points. Most non-financially educated respondents were relatively good debt administration practices, unlike their counterparts.

The educational level of the respondents has an influence on their debt administration practices of respondents. Diploma graduates have a mean value of 2.7250, and degree holders have a mean value of 2.3638 and masters, and above graduates' mean value is 2.5378. From this,

the researcher concludes that diploma holders have better debt administration practices than degree holders and masters and above.

The finding shows that respondents with work experience above 20 years have relatively good debt administration practices, with a mean value of 2.6063.

When the saving practice of the respondents compared using a salary range from 5000 - 10000, birr earners have better debt administration practices than the other category.

Investment Decisions

On the availability of personal investment plans, the majority (70.9%) of the respondents agreed that they have no plan other than the mandatory employer pension scheme, and 29.1% of the respondents reported having an investment plan. Most of the respondents (51.7%) cited a moderate extent of investment, 31.0% of the respondents cited a low extent of investment, 13.8% of the respondents reported a very high extent of investment, and 3.4% of the respondents reported a high extent of investment. Of the respondents, 51.7% were fairly satisfied with their level of investment, 31.0% were not satisfied, 13.8% were very satisfied, and 3.4% were satisfied.

Investment Decision as Financial Literacy Measurement Factor

The frequency and percentage of the five items of personal saving measurements show that from the questionnaire, by adding the percentage values of strongly agree and agree, 27.1% of the respondents agreed that they invest out of each income received, but 51.8% of employees do not agree. Similarly, for item No. 2, by adding the percentage value of strongly agree and agree, 35.8% of the respondents are the kind of person who always looks to invest, but 38.8% of employees did not agree. On the other hand, when to add strongly agree and agree to item No. 3, it is found that 17.4% of the respondents agree that they have an investment account, but 77.9% of the respondents did not agree on this. So from this analysis, the researcher concludes that the majority of the respondents did not invest out of each income received; they have no investment account and are not the kind of person who always looks to invest. The summation of strongly agree and agree percentages for the value item No. 4 shows

48.2% of the respondents know about investments (stock, bonds, mutual funds), but 32.9% of the respondents did not agree on this and for item No. 5 when to add strongly agree and agree percentage value 19.7% of the respondents invested in stocks, bonds or mutual funds but 68.4% did not agree on this. So the analysis of items No. 4 & 5 indicates that the majority of the respondents know about investment but have not invested in stocks, bonds or mutual funds. When this value is described in terms of mean, the mean value of the respondents' response is 2.56. The conclusion from this breakdown is that respondent's investment decision is low.

When the results are triangulated by focus group discussion, the participants say they do not have enough money for investment. Even though they have money, they are frustrated with the investment because it is risky. They are not sure about the return on the investment.

Investment Practices of Respondents by Category

Although many respondents were aware of existing investment instruments, a much lower number had made investments commensurate to the knowledge. To make saving and investment decisions, individuals require knowledge beyond fundamental financial concepts, including the relationship between risk and return; how bonds, stocks, and mutual funds work (Lusardi, 2008). The following is a summary of the responses on investment practices:

The gender of respondents and their investment practice has no significant difference between males and female. The male mean value is 2.5552, and the female mean value is 2.5754. Also, the finding shows that overall, there is no significant difference between the finance and the non-finance respondents as far as investment practices are concerned. Those who were financially literate recorded a mean of 2.5529, while those who have not had a mean of 2.5504 out of the maximum of 5.0 points. These findings may be an indication that saving does not necessarily lead to investment.

The educational level of the respondents has a significant influence on their investment practices of respondents. Diploma graduates have a mean value of 2.3938; degree holders have a mean value of 2.6128; and masters and above graduates' mean value is 3.3385. From this, the

researcher concludes that masters and above holders have good investment practices than diploma and degree holders.

The finding shows that respondents have a work experience between 1-5 years and have relatively good investment practices, a mean value of 3.600.

When the investment practice of the respondents was compared using salary, a monthly salary above 10000 birr earners is good investment practice than the other category.

Money Management Practices

For the analysis of debt administration, four measuring items are distributed to employees, and the responses are analyzed and interpreted according to the values of the frequency and percentage below.

As a result, when to add the always and often Likert scale percentage value of responses, it is seen that 22.8% of the respondents' financial situation is out of control, 37.4% of respondents did not, but 39.9% of the respondents sometimes the financial situation out of control. Moreover, by adding the always and often Likert scale percentage values of responses, 38.6% of the respondents worry about money matters, 25.7% of the respondents did not worry about money matters, and 35.6% of the respondents sometimes worry about money matters. So from this analysis, the researcher concludes that the majority of the respondents sometimes get their financial situation out of control and worry about money matters. On the other hand, in the summation of always and often of the percentage value of item No. 3, 47.5% of the respondents wrote goals for managing money, 18.8% of the respondents did not, but 33.7% of the respondents sometimes wrote goals for managing money. Lastly, by adding always and often percentage value of item No. 5, 37.1% of the respondents achieved money management goals, 29.2% of the respondents did not, but 33.7% of the respondents sometimes achieve money management goals. So from this analysis, the researcher concludes that the majority of the respondents write goals for managing money and achieving money management goals. When this value is described in terms of mean, the mean value of the respondents' response is 3.05. The conclusion from this breakdown is that respondents are moderately good money management practices.

Money Management Practices Respondents by Category

The survey information provides a description of how respondents learned about managing money.

The gender of respondents and their money management practices has no significant difference between male and female. The male mean value is 3.0099, and the female mean value is 3.1338. Also, the finding shows that overall, there is no significant difference between the finance and the non-finance respondents as far as money management practices are concerned. Those who were financially literate recorded a mean of 3.0637, while those who had not had a mean of 3.0256 out of the maximum 5.0 points. These findings may be an indication that saving does not necessarily mean good money management.

The educational level of the respondents has an influence on their money management practices of respondents. Diploma graduates have a mean value of 3.4038, and degree holders have a mean value of 3.2367 and masters, and above graduates' mean value is 2.8307. From this, the researcher concludes that diploma holders have better money management practices than a degree and masters and above holders.

The finding shows that respondents who have a work experience between below 1 year and 11-15 years have relatively good money management practices, which is the mean value of 3.3500 and 3.3125, respectively.

When the investment practice of the respondents compared using a salary range from 2000-5000, birr earners are a money management practices than the other category.

Financial Literacy Training

The respondents were asked whether they had undergone any financial literacy training. 37.1% of the respondents reported having undergone financial literacy training, while 62.9% of the respondents did not. From the analysis, the majority (62.8%) of the respondents took training on personal financial management one time, 20.5% of respondents two times, 3.8% of the respondents three times, and the remaining 12.8% of the respondents took training above three times.

The Impact of the Training on Personal Financial Management

The majority, 73.3% of the respondents, believed that the training taken resulted in an improvement in personal financial management practices, but 26.7% of the respondents said it did not result in an improvement.

Conclusions and Recommendations

Conclusions

The aim of this study is to measure the effect of financial literacy on personal financial management practices using the five factors: saving practices, expenditure practices, debt administration practices, investment practices and money management practices, on Ethiopian Civil Service University employees.

The researcher has used five factors with 31 financial literacy items. It is found that five of the factors are reliable for measuring personal financial management practices of employees, and all of the factors of the gap measuring are reliable using Cronbach's alpha (α).

A questionnaire survey is conducted to tabulate the respondent's demographic. The finding indicates that the majority of employees are masters and above graduates with a combined percentage of (46%), the majority of the age range 26 to 35 years (47.8%), the majority of the respondent no financial area of specialization (74.8), and the majority of the respondents are male (62.9%).

The researcher also sought to establish the effects of gender, area of specialization, level of education, work experience and salary range index on personal financial management practices. The findings conclude that these factors strongly influenced personal financial management. This could be due to the age distribution of the respondents, who were mostly aged between 26 and 35 years and are still considered youthful and hence are yet to settle in life and therefore have relatively low or no family commitments. The study findings further sought to establish whether saving and investment plans affect personal financial management. The results conclude that the majority of the respondents save less proportion of

their salaries. This can be attributed to the high cost of living and less investment practice. This affects the actual money management due to the prevailing economic environment hence an impact on savings and financial stability or independence.

Overall personal financial management findings indicated that the majority of the respondents rated their management of personal finances rated as fair/poor/very poor. This is attributed to hard economic times and poor financial discipline among employees regardless of their perceived sound financial literacy. This is a relatively needed attention since poor financial management adversely affects well-being and, by extension, productivity at the workplace.

Recommendations

Based on the research findings, the researcher recommends that the university should have various financial literacy training programs for their employees aimed at closing any knowledge gaps. The training should be complemented by the promotion of savings, expenditure practices, debt management, money management practices and investment culture among their employees. Such an initiative would ensure that the university workforce has the requisite skills for shrewd management of personal finances, which would enhance their welfare hence more productivity at work.

From the study findings, most respondents attribute their low savings/investment rate to the high cost of leaving. This is a macroeconomic factor that affects all sectors of the economy; hence the government should develop initiatives that would not only ensure training on financial literacy to its citizens but also seek to subsidize the high cost of leaving to create room for savings and investment. Such an initiative would ensure sustained economic growth by the creation of employment resulting from the investments.

The employees should strive to up their financial literacy skills by attending financial workshop seminars/training, reading financial journals or otherwise. This would equip the employees with the necessary skills in formulating their personal financial plans that are premised on sustainable expenditure, saving and investment plans aimed at long-term financial freedom.

Acknowledgment

I would like to express my deepest thanks to the Ethiopian Civil Service University Research and Publication Coordination Office for financing and encouraging this research paper.

Although collecting data is a time taking and tiresome, I have got great assistance, advice and encouragement from many people. Therefore, I would like to say thanks to the Ethiopian Civil Service University employees for their dedication and perseverance efforts they had during my data collection period. Without the support of these people, the accomplishment of this research paper would not have been possible. The collaboration by the respondents of the questionnaire is gratefully acknowledged.

I also appreciate that my colleagues and I shared important ideas in bringing this paper to this form.

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