

# PERSONAL FINANCIAL MANAGEMENT KNOWLEDGE AMONG ETHIOPIAN UNIVERSITY INSTRUCTORS

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**Abstract:** In Ethiopia though the government increased university instructors' salary more than three times during the last ten years, still they are not satisfied. Similarly, Gemedo & Tynjälä (2015) has found a result that teachers are dissatisfied with their salary income. As a result, they are working as part-time in many private colleges and universities throughout the country on the expenses of their regular work time that is expected to devote for their regular job. In line with this Owusu (2015) revealed instructors are part and parcel of the society who is in a position to share knowledge and shape citizens particularly for students in a way that can contribute positive changes to the society. It is, thus, for this reason that the study was undertaken to assess the personal financial management knowledge of Ethiopian university instructors found in Amhara Regional State. The data for this study was collected based on questionnaires from a sample of 200 Ethiopian university instructors found in Amhara Regional State.

The results of the study shows majority of the sampled university instructors in the country have good knowledge of cash management, estate planning, investment, risk management, credit management, tax planning, retirement planning, saving and general management. Finally based on the findings the following possible recommendations were given. Most important ones are to increase the personal financial management knowledge of the instructors in the short run, the universities should introduce work shop, seminar and in the long run the Ministry of Education could incorporate personal financial management course in curriculum from high school, to educate the young, who are the next generation of the country through these the personal financial management knowledge of the individuals can be increased this will help to develop the country.

**Key words:** personal financial management, knowledge, instructors, university and Amhara Regional State.

## 1. Introduction

Personal finance refers to the finances of individuals and families concerning household income and expenses, credit and debt management, saving and investment, retirement and income security (Deacon and Firebaugh, 1988).

Personal financial management brings benefits to households on a microeconomic level and the economy on a macroeconomic level (Hanna & Lindamood, 2010). According to these authors, at the microeconomic level, personal financial management has the benefits of increasing wealth, preventing cost and smoothing consumption, increasing the quality of life and satisfaction, increasing control over financial affairs, ensuring the economic security of household, improving personal relationships, avoiding and hedging against risks associated with the protection of financial capital, property, health and life.

The microeconomic benefits of personal financial management have an impact on the entire economy. Investments are very important for macroeconomics and growth that have their source in a household's financial savings. Planning house hold finances shapes the habit of savings and postponing current consumption for the future, which in turn impacts on the whole economy, resulting in an increase in savings and consequently leading to more investment which constitutes an important factor of economic growth (Hanna & Lindamood, 2010).

As Marican et al. (2012) found that job performance of employees and work productivity has significant relationship with financial worry of employees. Besides, the study disclosed that those financial distressed fail to discharge their obligation and pay their bills, rather their main headache becomes to be their financial problems that can negatively affect their performance for their organization, this is because employees who have the financial problem spend their productive time by taking and thinking about ways that could help them overcome their problem other than doing their regular work as per the organization expectations.

Moreover, employees' absenteeism from job may also become other problem as mental problem possibly affect physical health, as revealed by Kinnunen and Pulkkinen (1998). Hence, financial problems are the cause for mental health ill, divorce and other

adverse life experiences, in connection with this medical insurance and expense of the organization can also be raised and negatively affect the employer. Recognizing the adverse consequences of this personal financial problem at individual level, their family and to their organizations performance, organizations need to develop implementable strategies to mitigate or if possible to eliminate the problem at all.

McCarthy (2011) argued that significance of personal financial management can be examined from the simple relationship between poor financial literacy leading to financial distress and bankruptcy. This finding is supported by; Jacob et al. (2000) who reported that having not sufficient financial knowledge leads to poor financial choice and decisions that could harm individuals and society.

According to April 2008 survey by Kaiser family foundation, almost two thirds of Americans report having serious financial problems. Besides, the American psychological association survey (2008) showed that most Americans are stressed and anxious about their financial future. Individual productivity at the work place is considerably affected by financial problems employees face (Kim and Garman, 2004).

Most favorable personal financial management not only contributes for the betterment of individual's socio economic status, but also it is vital for the economy, at large (Refera & Kolech, 2015). But, breakdown in managing an individual's finance can lead long term consequences at individual and national levels. Hence, personal financial management has received an immense concern of researchers in recent years.

Funfgeld and Wlang (2009) pointed out the critical points that should be addressed so as to get improved the personal financial management capability of employees of a given organization. According to them the first points that should be given attention by the concerned body are: thoroughly investigating knowledge of employees regarding personal financial management. It is, thus, for this reason that the study was undertaken to assess the personal financial management knowledge of Ethiopian university instructors found in Amhara Regional State.

## 1.1 STATEMENT OF THE PROBLEM

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## 1.2 OBJECTIVE OF THE STUDY

To determine the instructors' knowledge on personal financial management

## 2 REVIEW LITERATURE

Studies conducted previously on personal financial management knowledge are presented here.

Van Deventer, M. (2013) conducted a study to assess African generation Y students' knowledge of financial management. The primary data was collected through questioner from 26 higher education institutions. Form those institutions a total of 500 students participated. The questioner consists of 18 multi choose items. The items are general financial knowledge, saving, spending, and debt the result of their study reveals African generation Y students have a low level of financial knowledge.

Rumbe, M. (2014) had done a study in Kenya to assess financial education and its impact on individual investment of Kisii university employees. A primary data was collected from a sample of 106 academic and non-academic staff of the university by using stratified random sampling method. The result of the study shows the employees have a better budgetary account and controls, low saving culture, good debt management, and the majority of them are members of the retirement scheme.

Usara, J. J. (2002) conducted a national needs assessment on personal financial literacy. The purpose of the study was to determine the three components of financial literacy. That is financial practice, general belief, and financial knowledge. The primary data was collected from a sample of 5,981 self-selected respondents from 17 credit counseling sites across the United States. Five items specifically connected to financial knowledge questions were asked. Questions were about bankruptcy, interest rates, car payments, and credit reports. The result of the study shows the respondents mean score was 62.5 and a medium sub score of 60. The range of the sub scores was from 30 to 100 Regarding determinate factors age, ethnic group, marital status and educational level of respondent's have a significant impact on their financial knowledge.

Owusu, E. N. (2016) conducted a study to assess the level of financial literacy among teachers in Ghana. The primary data was collected through a structured questionnaire from 150 respondents by using a stratified sampling method. The questionnaire was categorized into 6 aspects of financial knowledge namely; general knowledge in finance, knowledge in saving and borrowing, in retirement, in insurance, and investment. The result of the study reveals that teachers lack some basic financial literacy skill concerning examining their understanding of knowledge in money management, saving and borrowing, investment, insurance, and retirement planning.

Agarwalla, S. K., Barua, S., Jacob, J., &Varma, J. R. (2012) surveyed to assess the financial literacy of students, young employees and the retired in India. The primary data was collected through questionnaire from 2967 respondents. The level of financial knowledge of employed and retired Indians is measured with a set of eight questions namely; interest calculation, the relationship between inflation and return, inflation and price, risk and return, and the role of diversification in risk reduction. On the same study, the financial knowledge of students is assessed by examining their understanding of the basic principles of saving and debt such as simple and compound interest, time value of money, the impact of inflation on investment returns. The result of their study shows only 22% and 23% of employed and retired Indians scored 6 and above respectively this is relatively low as compared to other countries in the world. Similarly, the majority of students don't sufficiently understand the basic principles of personal finance.

Tiboh, T. (2016) conducted a study to assess the personal financial literacy of polytechnic students in Ghana. The primary data was collected from 120 respondents through questioner. The questioner comprises general financial knowledge, saving and investment, borrowing, and insurance. The result reveals that the participants answered only 40.71% of the questions correctly. The result also reveals that many of the students are familiar with the issues relating to simple interest calculations and loan guarantee. But they have less knowledge about financial planning and budgeting, mutual funds, and about risk and return.

Zhan, M., Anderson, S. G., & Scott, J. (2006) conducted a study to assess the financial knowledge of the low-income population. The primary data was collected from 163 respondents through questioner. The questioner is designed to measure basic knowledge of participants in five areas: predatory lending practices, public and work-related benefits, banking practices, saving and investing strategies, credit use, and interest rates. Their finding shows participants before training have less knowledge of basic financial management issues, especially on public and work-related benefits and saving and investment. On the other hand, they have more knowledge of lending practices, banking practices, credit uses, and interest rates. But after training participants have more knowledge in all areas regarding variables marital status, educational level, number of children, homeownership, language, having a bank account, having debt were significant predictors on the pre-training knowledge scores.

Loke, Y. J. (2017) the data was taken from OECD pilot survey which was conducted in 2010. The objective of the survey was to investigate the influence of socio-demographic and financial knowledge factors on four selected financial management practices of Malaysians. The data was collected from 1046 respondents through questioner by using stratified sampling method. To measure the financial knowledge of Malaysians 10 questions were asked. The result revealed more than half (69.7%) of the respondents have a higher level of financial knowledge.

Kumah, S. P., &Sare, Y. A.(2014) conducted a study to examine the personal finance knowledge level among senior high school students in Cape Coast Metropolis of Ghana. The data was collected through questioner from a sample of 200 respondents the questioner contains 20 questions under time value of money, scarcity, compound interest, opportunity cost, gross domestic products, inflation and interest rate. The result of their study shows the students do not possess adequate knowledge in personal financial management.

Refera, M. K., Dhaliwal, N. K., &Kaur, J. (2017) conducted a study to measure the financial literacy level of urban dwellers in Addis Abeba, Ethiopia. Primary data was collected from a sample of 402 respondents. In the study financial literacy consists of financial knowledge, financial attitude, confidence and ability in applying knowledge in the management of personal finance. The questioner consists of 8 items yes/no/ don't know questions to measure financial knowledge of respondents about time value of money, simple and compound interest, inflation, risk and return, and risk diversification. The result of the study shows from the total respondents only 42.3% of them correctly answered 6 to 8 question. This indicates the majority of the sample respondents answered below the mean overall score of financial knowledge.

Mirach, T. H., &Hailu, Y. M. (2014) conducted a study to assess the households saving behavior: knowledge, Practice and affecting factors in North Gondar, Ethiopia. The primary data was collected through questioner from 604 households. The finding of their study reveals the respondent's knowledge about financial management was above average.

### 3 METHODOLOGY

#### 3.1 POPULATION, SAMPLING PROCEDURE AND SAMPLE SIZE

As of 2016/17 there are 33 government universities registered and worked in nine regional state and two city administration under the Ethiopian Ministry of Education. Among these, the researcher selected public universities which are found in Amhara Region the researcher selected three government universities by employing simple random sampling method. To determine the sample of the study, among the existing different sample size determination methods, the one which developed by Carvalho (1984) was used by the researcher. The total number of instructors in those universities is 3000. So the range lies between 1201 and 3200. According to Carvalho's sample size determination, thus taking to account the larger the sampling size of a research, the more accurate the data generated is; large sample size was applied. Therefore the sample size selected for the study under consideration was 200.

#### 3.2 METHODS OF DATA COLLECTION

To find out relevant information, the researcher was used both primary and secondary sources.

### 3.2.1 PRIMARY DATA

Personal financial management knowledge of individuals has been measured in different ways. Some researchers used one item measures while others used multiple-item questions. To cover all parts of personal financial management knowledge for the current study the researcher used multiple-item questions that are adopted partly from Rajna and Anthohny (2011). The reliability coefficient for this scale was reported by the authors to be 0.65. The items in Rajna A's measure was somewhat limited in scope. To construct a scale of financial knowledge that would reflect each of the nine dimensions of personal financial management, items were added to compliment Rajna and Anthohny scale. The newly created composite scale in this study includes each of the components of personal financial management. And consisted of 40 true, false or don't know item questions. Respondents are asked to tick the appropriate box indicating the correct answer. A financial management knowledge score is a composite measure of financial knowledge measurement item. As Refera, Dhaliwal, and Kaur (2017) a composite score can be developed using two approaches. The first is a factor analysis approach which is widely considered when scoring complex data. The second approach is to give an equal weight for each component of financial knowledge. The second approach is widely used by many researchers in different parts of the world including Ethiopia (Refera et al., 2017). This study, therefore, used the second approach because financial management knowledge questions are assumed to have equal importance in personal financial management decision. The financial knowledge score was; thus constructed by assigning 1 point for each correct responses. And 0 for incorrect and I don't know responses.

Higher percentage scores indicate a higher level of financial knowledge on personal financial management. The financial management knowledge scores will be divided into 3 categories, namely, Low mean score, medium mean score and high mean score. Low, medium and high values are calculated using the formula  $(\text{Max}-\text{Min})/3$  (Rajna and Anthohny, 2011). In addition to this, Item analyses with correctly identified items were summed and the score was transformed into a letter grade by using Ethiopian universities grading system. As Ethiopian university senate legislation, the minimum and maximum grade is A+ to F. A+(95,100), A(85,95), A-(80,85), B+(83,85), B(80,83), B-(78,80), C+(70,78), C(60,70), C-(50,60), D(40,50), FX(30,40), F(0,30).

### 3.3 METHOD OF ANALYSIS AND STATISTICAL TECHNIQUES

Data analysis was done using Statistical Package for Social Sciences (SPSS). Descriptive and bivariate statistics are used to calculate percentage, mean scores and standard deviations.

#### 4. ANALYSIS AND DISCUSSIONS

##### 4.1 CASH MANAGEMENT KNOWLEDGE

**Table 1 Instructors knowledge about cash management**

No		Correct answer		Frequency	Percent
1	People are more likely to make better financial decisions if those decisions are based on their financial records.	true	Correctly answered	158	79%
			Wrongly answered	20	10%
			Don't know	22	11%
2	Inflation is one of the biggest obstacles in achieving long term goals.	true	Correctly answered	160	80%
			Wrongly answered	18	9%
			Don't know	22	11%
3	Almost every decision in life has financing consequences.	true	Correctly answered	153	76.5%
			Wrongly answered	27	13.5%
			Don't know	20	10%
4	All banks provide the same interest rates on their saving accounts.	False	Correctly answered	124	62%
			Wrongly answered	44	22%
			Don't know	32	16%
5	Buying merchandise on credits would reduce purchasing power.	true	Correctly answered	71	35.5%
			Wrongly answered	69	34.5%
			Don't know	60	30%
6	Living within your means allows you to save more of your income.	true	Correctly answered	121	60.5%
			Wrongly answered	45	22.5%
			Don't know	34	17%

Source: SPSS

As depicted in the table on average 65.58% university instructors gave correct answers to questions on the knowledge in cash management but 18.58% gave the wrong answer and the remaining 15.84% do not know the answer. These show the majority of the sampled university instructors in the country have good knowledge of cash management. This is consistent with Rajna and Anthony (2011).on average 77.6% medical practitioners gave correct answers to questions on the knowledge in cash management. But it deviates from ANZ financial knowledge survey reported an average of 33% of all respondents scored positive for knowledge on money management and also as Owusu(2015) teachers in Ghana lack some basic financial literacy skill concerning examining their understanding of knowledge in money management.

#### 4.1.1. Cash management knowledge score categories

There were 6 item 7 point Likert scale questions to evaluate the cash management knowledge of university instructors in the country. The minimum and maximum scores were 0 and 6. To calculate the low, medium and high values, the formula  $(\text{Max}-\text{Min})/3$  were used (Rajna& Anthony,2011) Then each category was divided accordingly as lower knowledge score (0-2 scores), medium knowledge scores (2.1-4 scores) and high knowledge scores (4.1-6 scores).

**Table 2 cash management knowledge score category**

Category	Low	Medium	High
Scores	0-2	2.1-4	4.1-6
Frequency	26	96	78
Percent	13%	48%	39%

Source: SPSS

Table 2 shows 48 percents (96) of the total sampled instructors have medium cash management knowledge while 39% (78) of them have high cash management knowledge and the remaining 13%(26) have low cash management knowledge. These shows majority of university instructors have medium and high cash management knowledge.

#### 4.2. Knowledge of instructors about Estate planning

**Table 3 knowledge of instructors about estate planning**

No		Correct answer		Frequency	Percent
1	Without a will, your heirs are legally powerless.	True	Correctly answered	90	45%
			Wrongly answered	68	34%
			Don't know	42	21%
2	A person needs a will only when there is a large estate to be passed on to heirs.	False	Correctly answered	74	37%
			Wrongly answered	76	38%
			Don't know	50	25%
3	Will and gift are synonyms	False	Correctly answered	120	60%
			Wrongly answered	55	27.5%
			Don't know	25	12.5%

Source: SPSS

As shown in the table on average 47.3% university instructors gave correct answers to questions on the knowledge in estate planning but 33.16% of them responded wrongly and the remaining 19.54% didn't know. These show the majority of the sampled university instructors in the country have good knowledge of estate planning. This is consistent with Rajna and Anthony (2011) on average 54.6% medical practitioners answered the estate planning knowledge questions correctly.

#### 4.2.1 Estate planning knowledge score categories

There were 3 items true, false and don't know questions to evaluate the estate planning knowledge of university instructors in the country. The minimum and maximum scores were 0 and 3. To calculate the low, medium and high values, the formula  $(\text{Max}-\text{Min})/3$  was used (Rajna& Anthony, 2011).Then each category was divided accordingly as lower knowledge score (0-1 scores), medium knowledge scores (1.1-2 scores) and high knowledge scores (2.1-3 scores).

**Table 4 Estate planning knowledge score categories**

Category	Low	Medium	High
Scores	0-1	1.1-2	2.1-3
Frequency	107	69	24
Percent	53.5%	34.5%	12%

Source: SPSS

Table 4 shows 53.5% (107) of the total sampled instructors have low estate planning knowledge while 34.5% (69) of them have high cash management knowledge and the remaining 12%(24) have high estate planning knowledge. These shows 46.5% of university instructors in have medium and high estate planning knowledge.

### 4.3 Investment knowledge of respondents

**Table 5 Investment knowledge of respondents**

No		Correct answer		Frequency	Percent
1	Having different types of investment decreases financial risks.	true	Correctly answered	154	77%
			Wrongly answered	32	16%
			Don't know	14	7%
2	In most cases, the lower the expected rate of return on an investment the lower the risk.	true	Correctly answered	99	49.5%
			Wrongly answered	51	25.5%
			Don't know	50	25%
3	The rate of return on your money is the amount that you earn on your investments.	true	Correctly answered	136	68%
			Wrongly answered	34	17%
			Don't know	30	15%
4	Investments in real assets usually are more risky than saving	true	Correctly answered	86	43%
			Wrongly answered	76	38%
			Don't know	38	19%
5	All type of investment always generates profit.	false	Correctly answered	130	65%
			Wrongly answered	40	20%
			Don't know	30	15%

Source: SPSS

As clearly seen on average 60.5% university instructors gave correct answers to questions on the knowledge in investment management but 23.3% of them responded wrongly and the remaining 16.2% didn't know the answers for the questions. These show the majority of the sampled university instructors in the country have good knowledge of investment management. This is consistent with RajnaandAnthony(2011) on average 76.4% doctors scored correct answer for knowledge in investment questions. Similarly, the result is consistent with Brunton (2013) in their 2013 survey 59% New Zealanders identify the correct responses to the scenario presented. But it is inconsistent with Geetha and Ramesh(2011) individuals in India were not aware of all the investment alternatives available to them. And also As Owusu(2015) teachers lack some basic financial literacy skill concerning examining their understanding of knowledge in investment.

#### 4.3.1 Investment knowledge score categories

There were 5 items true, false and don't know questions to evaluate the investment knowledge of university instructors in the country. The minimum and maximum scores were 0 and 5. To calculate the low, medium and high values, the formula  $(\text{Max}-\text{Min})/3$  was used(Rajna&Anthony, 2011) .Then each category was divided accordingly as lower knowledge score (0-1.67 scores), medium knowledge scores (1.8-3.34 scores) and high knowledge scores (3.35-5 scores).

**Table 6 Investment knowledge score categories**

Category	Low	Medium	High
Scores	0-1.67	1.68-3.34	3.35-5
Frequency	39	136	25
Percent	19.5%	68%	12.5%

Source: SPSS

As table 6 shows 68% (136) of the total sampled instructors have medium investment knowledge while 19.5% (39) of them have low knowledge and the remaining 12.5 % (25) have high investment knowledge. These shows majority of university instructors in Ethiopia have good investment knowledge.

#### 4.4 RISK MANAGEMENT KNOWLEDGE

Table 7 risk management knowledge of instructors

No		Correct answer		Frequency	Percent
1	Term insurance is the best form of life insurance protection available.	True	Correctly answered	88	44%
			Wrongly answered	96	48%
			Don't know	16	8%
2	Insurance is a way to reduce the risk of a financial disaster.	True	Correctly answered	171	85.5%
			Wrongly answered	17	8.5%
			Don't know	12	6%
3	Life insurance needs vary with age and the size of a family.	True	Correctly answered	150	75%
			Wrongly answered	31	15.5%
			Don't know	19	9.5%
4	Most financial risk can be covered by insurance.	True	Correctly answered	89	44.5%
			Wrongly answered	61	30.5%
			Don't know	50	25%
5	Edirs and equbbs are the best risk coping strategies	False	Correctly answered	63	31.5%
			Wrongly answered	83	41.5%
			Don't know	54	27%

Source: SPSS

As indicated in the table on average 56.1% university instructors gave correct answers to questions related with risk management but 28.8% of them responded wrongly and the remaining 15.1% didn't know the answers for the questions. These show the majority of the sampled university instructors in the country have good knowledge of risk management. This is consistent with (Rajna& Anthony, 2011) on average 50.5% doctors scored correct answer for knowledge questions in risk management. Similarly, the result is consistent with Brunton (2013) survey in 2013 82% New Zealanders identify the correct responses to the scenario presented.

##### 4.4.1 Risk management knowledge score categories

There were 5 items true, false and don't know questions to evaluate the risk management knowledge of university instructors in the country. The minimum and maximum scores were 0 and 5. To calculate the low, medium and high values, the formula  $(Max-Min)/3$  was used (Rajna& Anthony, 2011). Then each category was divided accordingly as lower knowledge score (0-1.67 scores), medium knowledge scores (1.68-3.34 scores) and high knowledge scores (3.35-5 scores).

Table 8 Risk management knowledge score categories

Category	Low	Medium	High
Scores	0-1.67	1.68-3.34	3.35-5
Frequency	37	130	33
Percent	18.5%	65%	16.5%

As table 8 shows 65% (130) of the total sampled instructors have medium risk management knowledge while 18.5% (37) of them have low knowledge and the remaining 16.5% (33) have high-risk management knowledge. These shows majority of university instructors in Ethiopia have good risk management knowledge.

#### 4.5 CREDIT MANAGEMENT KNOWLEDGE

Table 9 Credit management knowledge

No		Correct answer		Frequency	Percent
1	A credit advance from your friends or relatives is a cheaper form of credit than a personal bank loan.	True	Correctly answered	134	67%
			Wrongly answered	36	18%
			Don't know	30	15%
2	Making out a loan to finance investment may represent sound financial decision.	True	Correctly answered	99	49.5%
			Wrongly answered	51	25.5%

			Don't know	50	25%
3	If you guarantee a loan for a friend then you become responsible for the loan if your friend defaults.	True	Correctly answered	147	73.5%
			Wrongly answered	29	14.5%
			Don't know	24	12%

Source: SPSS

As clearly seen in the table on average 63.3% university instructors gave correct answers to questions on the knowledge in credit management but 19.3 % of them responded wrongly and the remaining 17.4 % didn't know the answers for the questions. These show the majority of the sampled university instructors in the country have good knowledge of credit management. This is consistent with (Rajna& Anthony, 2011) on average 51.2% of the medical practitioners have correctly scored the credit management knowledge questions. Similarly, the result is consistent with Brunton (2013) survey in 2013 51% New Zealanders identify the correct responses to the scenario presented. The result also in line with Shiferaw, Gebremedhin, and Legesse (2016) the majority of the creditors have good credit management knowledge.

#### 4.5.1 Credit management knowledge score categories

There were 3 items true, false and don't know questions to evaluate the credit management knowledge of university instructors in the country. The minimum and maximum scores were 0 and 3. To calculate the low, medium and high values, the formula  $(\text{Max}-\text{Min})/3$  was used (Rajna& Anthony, 2011). Then each category was divided accordingly as lower knowledge score (0-1 scores), medium knowledge scores (1.1-2 scores) and high knowledge scores (2.1-3 scores).

**Table 10 Credit management knowledge score categories**

Category	Low	Medium	High
Scores	0-1	1.1-2	2.1-3
Frequency	59	90	51
Percent	29.5%	45%	25.5%

Source: SPSS

As table 10 shows 45% (90) of the total sampled instructors have medium credit management knowledge while 29.5% (59) of them have low knowledge and the remaining 25.5 % (51) have high credit management knowledge. These shows majority of university instructors in Ethiopia have good risk management knowledge.

#### 4.6 TAX PLANNING KNOWLEDGE

**Table 11 Tax planning knowledge of instructors**

No		Correct answer		Frequency	Percent
1	It is important to plan for taxes as it affects your personal budget	True	Correctly answered	133	66.5%
			Wrongly answered	37	18.5%
			Don't know	30	15%
2	A person committing tax evasion is guilty of an offence and liable on conviction to a fine or to imprisonment.	True	Correctly answered	110	55%
			Wrongly answered	58	29%
			Don't know	32	16%
3	With VAT, the value added to the product is taxed each stage of production.	True	Correctly answered	105	52.5%
			Wrongly answered	49	24.5%
			Don't know	46	23%
4	Everybody pays employment income tax using the same percentage irrespective of the amount they earn.	False	Correctly answered	131	65.5%
			Wrongly answered	47	23.5%
			Don't know	22	11%

Source: SPSS

As shown in the table on average 59.9% university instructors gave correct answers to questions related to tax planning but 23.9% of them responded wrongly and the remaining 16.2% didn't know the answers for the questions. These show the majority of the sampled university instructors in the country have good knowledge of tax planning.

#### 4.6.1 Tax planning knowledge score categories

There were 4 items true, false and don't know questions to evaluate the tax planning knowledge of university instructors in the country. The minimum and maximum scores were 0 and 4. To calculate the low, medium and high values, the formula  $(\text{Max}-\text{Min})/3$  was used (Rajna& Anthony, 2011). Then each category was divided accordingly as lower knowledge score (0-1.33 scores), medium knowledge scores (1.34 -2.67 scores) and high knowledge scores (2.68 -4 scores).



**Table 12 Tax planning knowledge score categories**

Category	Low	Medium	High
Scores	0-1.33	1.34-2.67	2.68-4
Frequency	75	72	53
Percent	37.5%	36%	26.5%

Source: SPSS

As table 12 shows 37.5% (75) of the total sampled instructors have low tax knowledge while 36% (72) of them have medium knowledge and the remaining 26.5% (53) have high tax knowledge. These shows majority of university instructors in Ethiopia have good tax knowledge.

#### 4.7 RETIREMENT PLANNING KNOWLEDGE

**Table 13 Retirement planning knowledge of instructors**

No		Correct answer		Frequency	Percent
1	Retirees need 70% to 80% of their pre-retirement income to maintain the same standard of living during retirement.	True	Correctly answered	101	50.5%
			Wrongly answered	61	30.5%
			Don't know	38	19%
2	Employees cannot make pension contribution additional to any payments by their employers.	False	Correctly answered	102	51%
			Wrongly answered	58	29%
			Don't know	40	20%
3	The earlier you start saving for retirement, the more money you will have because the effects of compounding interest increase over time.	True	Correctly answered	122	61%
			Wrongly answered	36	18%
			Don't know	42	21%

Source: SPSS

As depicted in the table on average 54.2% university instructors gave correct answers to questions on the knowledge in retirement planning but 25.8% of them responded wrongly and the remaining 20% didn't know the answers for the questions. These show the majority of the sampled university instructors in the country have good knowledge of retirement planning. This is consistent with Rajna and Anthony (2011) on average 54.6% of medical practitioners answered the retirement planning knowledge questions correctly. Similarly, the result is consistent with Brunton (2013) according to their survey 83% New Zealanders identify the kind of lifestyle people want for their retirement as a key consideration. Belete (2016) the results of the study showed that 60.8% of the sampled Ethiopian teachers agreed that they knew disability benefits. 63.8% of the sampled teachers agreed that pension and retirement scheme applicable to all salaried employees.

##### 4.7.1 Retirement planning knowledge score categories

There were 3 item true, false and don't know questions to evaluate the retirement planning knowledge of university instructors in the country. The minimum and maximum scores were 0 and 3. To calculate the low, medium and high values, the formula  $(\text{Max} - \text{Min})/3$  was used (Rajna & Anthony, 2011). Then each category was divided accordingly as lower knowledge score (0-1 scores), medium knowledge scores (1.1-2 scores) and high knowledge scores (2.1-3 scores).

**Table 14 Retirement planning knowledge score categories**

Category	Low	Medium	High
Scores	0-1	1.1-2	2.1-3
Frequency	87	78	35
Percent	43.5%	39%	17.5%

Source: SPSS

As table 14 shows 43.5% (87) of the total sampled instructors have low retirement planning knowledge while 39% (78) of them have medium knowledge and the remaining 17.5% (35) have high retirement planning knowledge. These shows majority of university instructors in Ethiopia have good retirement planning knowledge.

#### 4.8 SAVING KNOWLEDGE

**Table 15 saving knowledge of instructors**

No		Correct answer		Frequency	Percent
1	Saving and checking accounts serves the same purpose, so it does not make sense to have them both.	False	Correctly answered	113	56.5%
			Wrongly answered	53	26.5%
			Don't know	34	17%
2	With compound interest, you earn interest on your principal only.	False	Correctly answered	88	44%

			Wrongly answered	68	34%
			Don't know	44	22%
3	Saving is the remaining of your income after it has been deducted from expenses.	True	Correctly answered	127	63.5%
			Wrongly answered	47	23.5%
			Don't know	26	13%
4	If you have a savings account at bank, you may have to pay taxes on the interest you earn.	True	Correctly answered	96	48%
			Wrongly answered	64	32%
			Don't know	40	20%

Source: SPSS

As shown in the table on average 53% university instructors gave correct answers to questions on the knowledge in saving but 29% of them responded wrongly and the remaining 18 % didn't know the answers for the questions. These show the majority of the sampled university instructors in the country have good knowledge of saving.

**4.8.1 Saving knowledge score categories**

There were 4 items true, false and don't know questions to evaluate the saving knowledge of university instructors in the country. The minimum and maximum scores were 0 and 4. To calculate the low, medium and high values, the formula  $(Max-Min)/3$  was used (Rajna& Anthony, 2011). Then each category was divided accordingly as lower knowledge score (0-1.33 scores), medium knowledge scores (1.34 -2.67 scores) and high knowledge scores (2.68 -4 scores).

**Table 16 saving knowledge score categories**

Category	Low	Medium	High
Scores	0-1.33	1.34-2.67	2.68-4
Frequency	89	73	38
Percent	44.5	36.5	19

Source: SPSS

As table 16 shows 44.5 % (89) of the total sampled instructors have low saving knowledge while 36.5% (73) of them have medium knowledge and the remaining 19 %(38) have high saving knowledge. These shows majority of university instructors in Ethiopia have good saving knowledge.

**4.9 GENERAL FINANCIAL MANAGEMENT KNOWLEDGE**

**Table 17 General financial management knowledge**

No				Frequency	Percent
1	A good budget provides only for expected expenses.	False	Correctly answered	96	48%
			Wrongly answered	70	35%
			Don't know	34	17%
2	Only families with large enough assets to be concerned about financial planning.	False	Correctly answered	141	70.5%
			Wrongly answered	41	20.5%
			Don't know	18	9%
3	A person is more likely to reach his or her financial goals by planning for the future.	True	Correctly answered	171	85.5%
			Wrongly answered	19	9.5%
			Don't know	10	5%
4	Financial planning does not work in the real world.	False	Correctly answered	130	65%
			Wrongly answered	48	24%
			Don't know	22	11%
5	Financial goals should be specific, memorable, attainable, and relevant to your situation and have a time frame.	True	Correctly answered	170	85%
			Wrongly answered	20	10%
			Don't know	10	5%
6	Personal finance knowledge can help you to lead a financially secure life by forming healthy spending	True	Correctly answered	147	73.5%

	habits.		Wrongly answered	29	14.5%
			Don't know	24	12%
7	A personal budget will help you to prioritize your spending and to monitor the sources of your income.	True	Correctly answered	156	78%
			Wrongly answered	24	12%
			Don't know	20	10%

Source: SPSS

As indicated in the table on average 72.2% university instructors gave correct answers to questions on the knowledge in general management but 17.9% of them responded wrongly and the remaining 9.9% do not know the answers for the questions. These show the majority of the sampled university instructors in the country have good knowledge of general personal financial management. This is consistent with Rajna& Anthony (2011) on average 95.8% of the medical practitioners have correct scores for the general management knowledge questions.

**4.9.1 GENERAL PERSONAL FINANCIAL MANAGEMENT KNOWLEDGE SCORE CATEGORIES**

There were 7 items true, false and don't know questions to evaluate the general management knowledge of university instructors in the country. The minimum and maximum scores were 0 and 7. To calculate the low, medium and high values, the formula (Max-Min)/3 was used (Rajna& Anthony, 2011). Then each category was divided accordingly as lower knowledge score (0- 2.33 scores), medium knowledge scores (2.34 -4.67 scores) and high knowledge scores (4.68 - 7 scores).

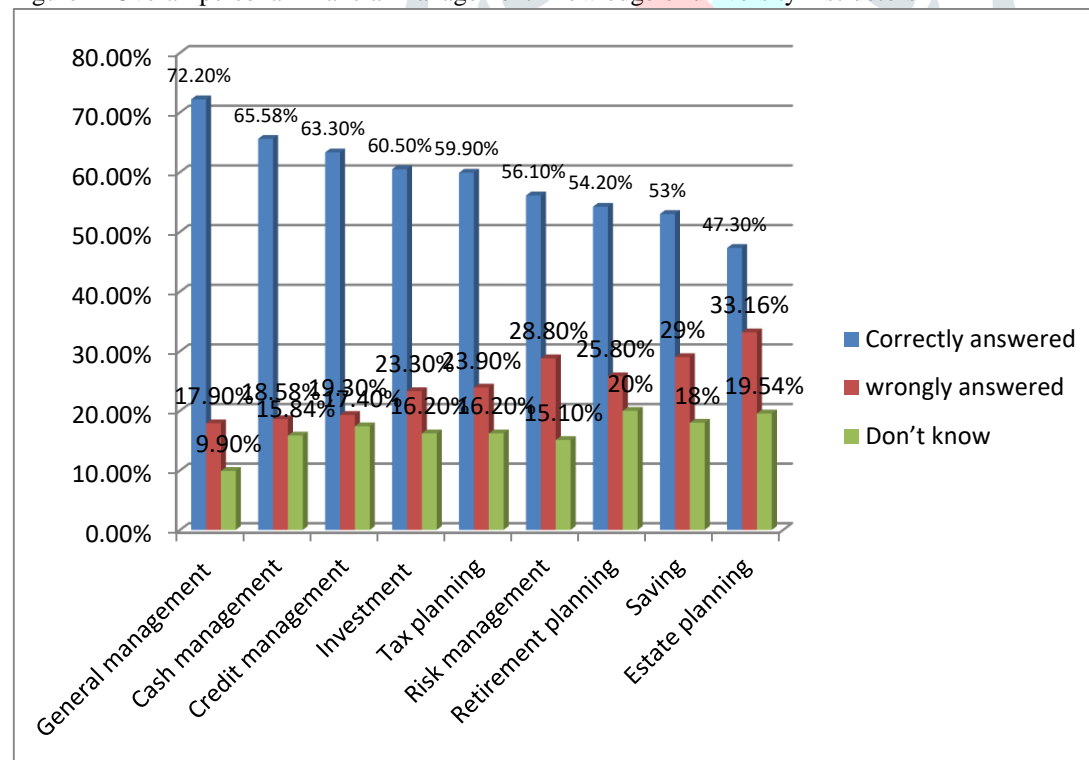
**Table 18 General personal financial management knowledge score categories**

Category	Low	Medium	High
Scores	0-2.33	2.34-4.67	4.68-7
Frequency	23	82	95
Percent	11.5%	41%	47.5%

Source: SPSS

As table 18 shows 47.5% (95) of the total sampled instructors have high general management knowledge while 41% (82) of them have medium knowledge and the remaining 11.5% (23) have low general management knowledge. These shows majority of university instructors in Ethiopia have good general management knowledge.

**Figure 1 Overall personal financial management knowledge of university instructors**



Source: SPSS

Fig 1 shows the percentage of university instructors who gave correct answers to each area of personal financial management. on average 72.2 percent of sampled instructors gave correct answer for general management knowledge questions; Followed by 65.58 percent for cash management; 63.3 percent for credit management ; 60.5 percent for investment; 59.9 percent for tax planning; 56.1 percent for risk management ; 54.2 percent for retirement planning; 5 percent for saving and 47.3 percent for estate planning questions .

**Table 19 Personal financial management knowledge test result**

Grade	B+	B	B-	C+	C	C-	D	FX	F
No	1	3	15	30	66	22	18	34	11
percent	0.5%	1.5%	7.5%	15%	33%	11%	9%	17%	5.5%

Correctly identified items were summed and transformed into a letter grade by using Ethiopian universities grading system. As Ethiopian university senate legislation, the minimum and maximum grades are A+ to F. A+(95,100), A(85,95), A-(80,85), B+(83,85), B(80,83), B-(78,80), C+(70,78), C(60,70), C-(50,60), D(40,50), FX(30,40), F(0,30) Table 4.29 illustrates the Grade obtained by the number and percentage of university instructors . It is noted that 200 instructors answered all the 40 knowledge questions. 0.5 percent of the sampled university instructors scored 0.5% scored B+; 1.5% scored B; 7.5% of them scored B- grade ; 15% scored C+; 33% scored C; 11% got C- and the remaining 9% and 17% and 5.5% scored D, Fx and F respectively. These shows 68.5% of the sampled university instructors in the country passed the personal financial management knowledge test.

Table 20 Personal financial management knowledge mean scores

Mean score	SD	N	Variance	Skewness	Std. Error of Skewness	Kurtosis	Range
22.7723	5.5889	200	0.586	-0.461	0.172	-0.299	0-40

Source: SPSS

The mean score for total personal financial management knowledge is 22.77+/-5.589 and the score range was 0-40 which is higher than 20 which suggest that on the whole of the respondents of university instructors in Ethiopia are correctly answered personal financial management knowledge questions.

**TABLE 21 PERSONAL FINANCIAL MANAGEMENT KNOWLEDGE SCORE CATEGORIES**

Category	Low	Medium	High
scores	1-13	13.1-27	27.1-40
Frequency	18	173	9
Percent	9%	86.5%	4.5%

Source: SPSS

As shown in the table only 4.5% of the instructors' population in Ethiopia has high personal financial management knowledge. This is consistent with Rajna and Anthony(2011) only 33.6% of doctors in Malaysia has high knowledge but the remaining 64.4% and 2% has medium and low financial management knowledge. Similarly, Brunton (2013) in their 2013 survey 39% New Zealanders has high personal financial management knowledge but the remaining 32% and 29% have medium and low financial management knowledge. And As Xu and Zia (2012) financial literacy in developing countries was low. Similarly, As Chen and Volpe(1998), the financial knowledge of college students was generally low. Similarly, As Markovich and Devaney (1997), the overall financial knowledge of students in senior high schools was low. In addition to this, asKumah and Sare (2014 ) students do not possess adequate knowledge in personal financial management. And Referaet al 2017 majority of the urban dwellers in Addis Abeba, Ethiopia answered below the mean overall score of financial knowledge.

## 5. CONCLUSION AND RECOMMENDATION

### 5.1. Conclusion

Majority of the sampled university instructors in the country have good knowledge of cash management, estate planning, investment, risk management, credit management, tax planning, retirement planning, saving and general management.

It is noted that 200 instructors answered all the 40 knowledge questions. 0.5 percent of the sampled university instructors scored 0.5% scored B+; 1.5% scored B; 7.5% of them scored B- grade; 15% scored C+; 33% scored C; 11% got C- and the remaining 9% and 17% and 5.5% scored D, Fx and F respectively. These shows 68.5% of the sampled university instructors in the country passed the personal financial management knowledge test.

### 5.2. RECOMMENDATIONS

To increase the personal financial management knowledge of the instructors in the short run, the universities should introduce work shop, seminar and in the long run the Ministry of Education could incorporate personal financial management course in curriculum from high school, to educate the young, who are the next generation of the country through these the personal financial management knowledge of the individuals can be increased this will help to develop the country.

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