

**EFFECTS OF UNSECURED PERSONAL LOANS ON HOUSEHOLD FINANCIAL
HEALTH OF PRIMARY SCHOOL TEACHERS IN EMINING DIVISION, BARINGO
COUNTY, KENYA**

FLORENCE JEPCHUMBA BETT

**A Research Project Submitted to Graduate School, in Partial Fulfillment for the
Requirements for the Award of the Degree of Master of Business
Administration of Egerton University**

EGERTON UNIVERSITY

OCTOBER, 2017

DECLARATION AND RECOMMENDATION

Declaration

I the undersigned, declare that this research project is my original work and has not been submitted to any university, college or institution of higher learning for the award of a degree or diploma other than Egerton University.

Signature _____

Florence Jepchumba Bett

CM11/00709/12

Date

Recommendation

This research project has been submitted for examination with our recommendation as the University Supervisors

Signature _____

Mrs. Mary Bosire

Lecturer, Department of Accounting, Finance and Management Science, Egerton University,
Kenya

Date

Signature _____

Mr. Robert King'wara

Lecturer, Department of Accounting, Finance and Management Science, Egerton University,
Kenya

Date

COPYRIGHT

©2017 Florence Jepchumba Bett

No part of this work may be reproduced or transmitted in any form by any means, electronically or mechanically, including photocopying, recording on any information storage or retrieval system without expressed permission of the author or Egerton University on the author's behalf.

Florence Jepchumba Bett

All Rights reserved

DEDICATION

This research is dedicated to my dear parents Mr. Titus Kulei and Rosemary Jepkorir who laid a great foundation for my education, to my loving husband Joshua Tanui and dear sons Hanniel Kipkelchin and Godwin Kipkertich who have been a great encouragement to me, to my brothers and sisters for their inspiration, to all those who trust and obey the Almighty God, and to the academic and research fraternity.

ACKNOWLEDGEMENT

First and foremost, I thank the Almighty Father for spiritual guidance and the far He has taken me since I began my education.

I am grateful to Egerton University for giving me the opportunity to undertake my Master of Business Administration (MBA) course with them. I would like, in a special way to thank the academic fraternity of the Department of Accounting, Finance and Management Science of Egerton University and the Lecturers Business Administration Department for the encouragement, inspiration and support exhibited throughout my course. Special thanks go to Egerton University Nakuru Town Campus non-teaching staff for their overwhelming support and hospitality to see that I succeed in my studies.

I am indebted to my supervisors; Mr. Robert Kingw'ara and Mrs. Mary Bosire for their advice, time, invaluable comments, for enduring with me and for all the efforts they made to see that I successfully complete the project; Robert and Mary you are worth my mentors.

I salute my MBA cohort 2012 that has been supportive and always willing to share knowledge to the best of their abilities. I further commend the following friends for their moral and spiritual support; Jerotich Sirma, Joel Kiptum, Philip and Stella Korir, Reuben Wanjala, Paskerline Komen, Sarah Kibet, Philip Serebwa, James Thuita, George Misigah, Oscar Otieno and Langat Hillary. God bless you all.

I would also like to thank my beloved husband Joshua Tanui for his advice and encouragement. I am very grateful to my sister in-law Florence Tanui for taking good care of my son while I was away doing the research. To my brother Victor Kiplagat, thank you for your assistance during field research. God bless you abundantly.

To the primary school teachers in Emining division, thank you for providing relevant information which was crucial for the completion this project. In addition, I cannot forget the commendable work done by my typing and printing assistants, Susan Chesire and Purity Jelagat.

ABSTRACT

Liberalization in the finance industry in Kenya has led to increased access to credit facilities to Kenyan employees. Primary school teachers are among the beneficiaries. Credit facilities include both secured and unsecured loans. For employees, unsecured personal loans have become more popular due to the relative ease and speed at which they can be obtained. The objectives of this study were to: evaluate the effects of school fees loans on household financial health of primary school teachers in Emining division, assess the effects of home improvement loans on household financial health of primary school teachers in Emining division, examine the effects of emergency loans on household financial health of primary school teachers in Emining division and establish the effects of development loans on household financial health of primary school teachers in Emining division. The study used descriptive research design. Purposive sampling was used to collect data from 165 respondents, 5 teachers from each of the thirty three primary schools, in Emining Division, Baringo. Biographic data on the respondents was analyzed using descriptive statistics such as percentages. Primary data for this study was collected using structured questionnaire. The questionnaire was self-administered. Regression was conducted to test the effect of the various independent variables pooled together on the dependent variable. Two tail t-test and ANOVA test was used to determine the degree of significance of the relationship. The data analyzed was presented in form of tables. Relationships between unsecured personal loans and household financial health of primary school teachers in Emining division was determined at alpha level of $p < 0.05$. Results of the study showed that there is statistical significant relationship between unsecured personal loans and household financial health. Findings of the study also revealed that there is a strong positive relationship between unsecured personal loans and household financial health with a significance value of $p = 0.000$. Therefore the study concluded that there is strong positive statistical significant relationship between unsecured personal loans and household financial health of primary school teachers in Emining Division, Baringo County, Kenya. The study is beneficial to the government in regulating the interests' rates and primary school teachers in deciding their borrowing patterns. The study thus recommends that the government should reduce the base lending rate. Considering the effect of unsecured personal loans on liquidity and savings ratio, primary school teachers should rethink their borrowing patterns.

TABLE OF CONTENTS

DECLARATION AND RECOMMENDATION	ii
COPYRIGHT	iii
DEDICATION.....	iv
ACKNOWLEDGEMENT.....	v
ABSTRACT.....	vi
TABLE OF CONTENTS	vii
LIST OF TABLES	x
ABBREVIATIONS AND ACRONYMS.....	xiii
CHAPTER ONE	1
INTRODUCTION.....	1
1.1 Background of the Study	1
1.2 Statement of the Problem.....	3
1.3 Main Objectives	4
1.4 Specific Objectives	4
1.5 Research Hypotheses	4
1.6 Justification of the Study.....	4
1.7 Scope of the Study	5
1.8 Limitations and Delimitations of the Study	5
1.9 Operational Definition of Terms.....	6
CHAPTER TWO	7
LITERATURE REVIEW	7
2.1 Introduction.....	7
2.2 Theoretical Review	7
2.2.1 Fisher Irving, the Theory of Interest	7
2.2.2 Modigliani and Friedman Expenditure, Savings and the Life Cycle.....	8
2.3 Concept of Unsecured Personal Loans	9
2.4 Nature and Types of Unsecured Personal Loans	9
2.5 Concept of Household Financial Health.....	11
2.5.1 Measuring Financial Health.....	12
2.6 Empirical Studies	13

2.7. Study Gap.....	18
2.8 Conceptual Framework.....	19
CHAPTER THREE	20
RESEARCH METHODOLOGY	20
3.1 Research Design.....	20
3.2 Population	20
3.3 Sample Size and Sampling Procedure	20
3.4 Instrumentation	21
3.5 Data Collection Procedures.....	21
3.6 Validity and Reliability.....	22
3.7 Data Analysis	22
CHAPTER FOUR.....	24
DATA ANALYSIS, PRESENTATION AND INTERPRETATION.....	24
4.1 Findings on Pilot Test.....	24
4.2 Descriptive Analysis on Background Information	24
4.2.1: Respondents Distribution by Gender, Age and Period Worked With TSC.....	24
4.2.2 Nature of Unsecured Personal Loans.....	25
4.3 Descriptive Analysis of Unsecured Personal Loans	25
4.3.1 School Fees loans and Household Financial Health	26
4.3.2 Schools Fees Loans Contribution to Household Financial Health.	26
4.3.3 Dependents Educated Using School Fees Loans	27
4.3.4 Whether Dependents Have Completed their Education	28
4.3.5 The Dependents Contribution to the Current Household Monthly Income.....	29
4.3.6 Home Improvement Loans and Household Financial Health.....	30
4.3.7 Market Value of Home improvement.	31
4.3.8 Emergency Loans Contribution to Household Financial Health	33
4.3.9 Emergency Loans and Household Financial Health	33
4.3.10 The Approximate Current Market Value of the Emergencies.	35
4.3.11 Development loan Contribution to Household Financial Health.....	36
4.3.12. The Current Value in Shillings of Developments as a Result of Development Loans Taken.....	38

4.3.13 Extra Income Earned per Month from Development.	40
4.3.14 Unsecured Loan Contribution to the Household Financial Health	41
4.3.15. The Value of the Monthly Expenses, Income and Savings in the Household.	43
4.3.16. The Outstanding Amounts in the Unsecured Personal Loans.	45
4.4 Hypothesis Testing.....	46
CHAPTER FIVE	53
CONCLUSIONS AND RECOMMENDATIONS.....	53
5.1 Summary of Findings.....	53
5.1.1 School Fees Loans and Household Financial Health.....	53
5.1.2 Home Improvement Loans and Household Financial Health.....	53
5.1.3. Emergency Loans and Household Financial Health.....	54
5.1.4. Development Loans and Household Financial Health.....	54
5.1.5 Overall Effects of Unsecured Personal Loans on Household Financial Health	55
5.2 Conclusions.....	55
5.3 Recommendations.....	56
5.4 Suggestions for Further Studies	57
REFERENCES.....	58
APPENDICES	62
APPENDIX 1: Letter of Introduction.....	62
APPENDIX 2: Public Primary Schools in Emining Division, Baringo County, Kenya.....	63
APPENDIX 3: Research Budget.....	64
APPENDIX 4: Research Questionnaire.....	65

LIST OF TABLES

Table 4. 1 Reliability Test Results	24
Table 4. 2 Descriptive Analysis of School Fees Loans	25
Table 4. 3 Number of Dependents	26
Table 4. 4 Extent to which Schools Fees Loans contribute to Household Financial Health	27
Table 4. 5 The Number of Dependents Who Have Been Educated Using School Fees Loans	28
Table 4. 6 Have the Dependents Completed their Education?	28
Table 4. 7 The Extent to which the Dependents Contribute to the Current Household Monthly Income.....	29
Table 4. 8 Descriptive Analysis of Home Improvement Loans.....	30
Table 4. 9 Home Improvement Loans Contribution to Household Financial Health	31
Table 4. 10 Market Value of Home improvement.....	32
Table 4. 11 Descriptive Analysis of Emergency Loans.....	33
Table 4. 12 Emergency Loans Contribution to the Financial Household Health	34
Table 4. 13 The Value of the Emergencies.....	35
Table 4. 14 Descriptive Analysis of Development Loans	36
Table 4. 15 Development Loan Contributions to Household Financial Health.....	37
Table 4. 16 Current Value of Development as a Result of Development Loans Taken.....	39
Table 4. 17 Extra Incomes Earned Per Month from Development as a Result of Development Loans.....	40
Table 4. 18 Ratings of Unsecured Personal Loan Contribution to Household Financial Health .	42
Table 4. 19 The Value of the Monthly Expenses, Income and Savings in The Household	44
Table 4. 20 The Outstanding Amounts in the Unsecured Personal Loans	45
Table 4. 21 Pearson Correlation Analysis and Two Tailed t Test of the Relationship Between School Fees Loans and Household Financial Health.....	47
Table 4. 22 Pearson Correlation Analysis and Two Tailed t Test of the Relationship Between Home Improvement Loans and Household Financial Health.....	48
Table 4. 23 Pearson Correlation Analysis and Two Tailed t Test of the Relationship Between Emergency Loans and Household Financial Health.....	49
Table 4. 24 Pearson Correlation Analysis and Two Tailed t Test of the Relationship Between Development Loans and Household Financial Health.....	50

Table 4. 25 Multiple Regression Analysis for Unsecured Personal Loans and Household Financial Health.....	51
Table 4. 26 ANOVA Test of the Relationship between Unsecured Personal Loans and Household Financial Health.....	51
Table 4. 27 Regression Coefficients of the Relationship between Unsecured Personal Loans and Household Financial Health.....	52

LIST OF FIGURE

Figure 2.1: Conceptual Framework 19

ABBREVIATIONS AND ACRONYMS

CBK:	Central Bank of Kenya
PWC:	Price Waterhouse Coopers
SACCO:	Savings and Credit Cooperative Society
SPSS:	Statistical Package for Social Sciences
TSC:	Teachers Service Commission
WHO:	World Health Organization

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In recent years, retail banking has increasingly gained popularity in Kenya due to various changes in the market especially the inclusion of unsecured loans that were previously a preserve of the Saccos (PWC on unsecured lending, 2007). Lending is one of the main activities of commercial banks in Kenya and other parts of the world. This is evidenced by the volume of loans that constitute banks assets and the annual substantial increase in the amount of credit granted to borrowers in the private and public sectors of the economy. According to Wanjiku, (2013) lending is the principal business for most commercial banks. Loan portfolio is therefore typically the largest asset and the largest source of revenue for banks. The demand for unsecured personal loans is seen in the increasing number of applications that have been made by consumers. This is a product that credit providers have focused on in meeting the demand for credit. Factors that have influenced growth in this regard include the relative ease and speed at which the likes of unsecured personal loans can be obtained. Unsecured personal loans have represented an attractive market opportunity for credit providers who have actively pursued a lending growth strategy in this product, particularly as a result of the margins that can be made in the current market (World Bank Survey on Unsecured Credit in the Mortgage Market, (2013)

The field of personal or household finance is better reflected in recent years in several research studies. One of the most frequent associations of personal finance is with financial education, the underlying idea being that without adequate knowledge and skills one cannot satisfactorily manage his or her own finances, particularly in a dynamic and complex environment. Besides education, however, other aspects emerge from the literature, which appear to have particular importance in the process of individual financial decision. Individual can either borrow secured or unsecured personal loans. Secured loan is granted to individuals, provided that they deposit some form of security, such as titles, log books or share certificates, (KCB on loans, 2016). This means that a credit facility is fully secured where collateral used to secure the facility has a value that is sufficient to cover the carrying amount of the loan (CBK report on prudential guidelines for institutions licensed under the banking Act, 2015). Unsecured loan on the other hand is a loan that is issued and supported only by the borrower's credit worthiness rather than a type of collateral. The relative ease and speed at which unsecured personal loans can be obtained have

led to increasing number of applications, making it an area of interest in the study of personal finance. This project represents an attempt to establish the effects of unsecured personal loans on household financial health of primary school teachers in Emining Division, Baringo County, Kenya.

Unsecured loan is guaranteed based on the borrower's financial capacity, credit history, earnings potential and or liquidity. In general, if a credit is unsecured, the file should contain reliable and current financial information that is sufficient to indicate that the borrower has the capacity and can be reasonably expected to repay the debt (Branch Agency manual, 1997). The type of employment and gross monthly income assist in establishing the ability of the borrower to afford a loan (Kenya Bankers Association, 2008) The Federal Trade commission defines unsecured lending as a debt that is not tied to any asset. The CBK views the following products as forms of unsecured lending, credit card, overdrafts, commercial papers, personal loans; and financing provided to small and medium enterprises, (CBK on unsecured lending, 2013). A household refers to a person or group of people living in the same compound, answerable to the same family head and sharing a common source of food and income. Gutman, Garon, (2014) have suggested that consumer financial health is achieved when an individual's day-to-day financial system functions well and increases the likelihood of financial resilience and opportunity. High-quality products and services that help consumers make better financial decisions, retain greater control over their money, and plan for the future, are important tools for achieving financial health. Therefore financial health is a term used to describe one's financial situation. The amount of savings one has, how much he/she is setting away for retirement and how much of his/her income is being spend on fixed or non-discretionary expenses are the dimensions of financial health.

Baringo County is one of the 47 Counties of Kenya. It is located in the former Rift Valley Province. Its headquarters and largest town is Kabarnet. Baringo bounded by Turkana County and West Pokot County to the North, Samburu County and Laikipia County to the East, Nakuru County and Kericho County to the South, UasinGishu County to the South West and Elgeyo Marakwet County to the West. The county has six constituencies: Baringo Central Constituency, Baringo South Constituency, Tiaty Constituency, Baringo North Constituency, Eldama Ravine Constituency and Mogotio Constituency.

Financial institutions offering unsecured personal loans in Baringo County include Kenya Commercial Bank, Barclays Bank, Co-operative bank, Standard Chartered Bank, Equity Bank, Family Bank and Post Bank. Salaried employees in Baringo County can also access unsecured personal loans from Boresha Sacco, Skyline Sacco and deposit taking Micro finance institutions such as Faulu Kenya and Kenya Women Finance Trust (Guide, 2017). According to District Education Office Mogotio- Sub-County (2016), Emining division has a total population of 278 teachers employed by Teachers Service Commission (TSC) and posted to teach in the 33 mixed day and boarding public primary schools.

1.2 Statement of the Problem

Liberalization in the finance industry in Kenya has led to increased access to credit facilities to Kenyan employees. Primary school teachers are among the beneficiaries. Credit facilities include both secured and unsecured loans. For employees, unsecured personal loans have become more popular due to the relative ease and speed at which they can be obtained. Studies in developing countries Quach, Mullinex and Murinde (2005), Omwange (2012), Nangila (2013) have researched on the effects of credit on household welfare and have shown that credit contributes positively and significantly to the economic welfare of household such as improved education standards, improved healthcare, and improved sanitation, enhancing consumption and living standards, earning of extra income as well as reduction of unemployment by providing an avenue for self-employment. However, developed countries have researched on the impact of unsecured loans on household financial health and has established that indebtedness is associated with decreased financial stability (Del-río & Young, 2005); Nam & Elliot, 2013). None of these studies focused on the effects of unsecured personal loans on household financial health of households. This study therefore sought to establish the effects of unsecured personal loans on household financial health in a developing economic environment. The study was carried out on primary school teachers in Emining Division, Baringo County, Kenya. This study is important for the government and financial industry regulators in coming up with regulations on interest and access to unsecured personal loans. Moreover the study informs primary school teachers about the recent trends in unsecured personal loans and their effects on financial health.

1.3 Main Objectives

The general objective of this research was to establish the effects of unsecured personal loans on household financial health of primary school teachers in Emining Division, Baringo County, Kenya.

1.4 Specific Objectives

- i. To evaluate the effects of uptake of school fees loans on household financial health of primary school teachers in Emining Division, Baringo County, Kenya.
- ii. To assess the effects of uptake of home improvement loans on household financial health of primary school teachers in Emining Division, Baringo County, Kenya.
- iii. To examine the effects of uptake of emergency loans on household financial health of primary school teachers in Emining Division, Baringo County, Kenya.
- iv. To establish the effects of uptake of development loans on household financial health of primary school teachers in Emining Division, Baringo County, Kenya.

1.5 Research Hypotheses

The study sought to test the following hypotheses.

H₀₁: School fees loans do not have any effect on household financial health of primary school teachers in Emining Division, Baringo County, Kenya.

H₀₂: Home improvement loans do not have any effect on household financial health of primary school teachers in Emining Division, Baringo County, Kenya.

H₀₃: Emergency loans do not have any effect on household financial health of primary school teachers in Emining Division, Baringo County, Kenya.

H₀₄: Development loans do not have any effect on household financial health of primary school teachers in Emining Division, Baringo County, Kenya.

1.6 Justification of the Study

First, the study provides empirical data to researchers and other interested scholars who would wish to undertake studies on unsecured personal loans as well as illustrate the gaps that come along with the study of unsecured personal loans, thereby opening more areas for future studies in the field of unsecured personal loans and financial health. Secondly, this study will be used by the government and financial industry regulators to understand the effects of unsecured personal loans on borrowers and help shape lending and borrowing policies. Finally, the study informs

primary school teachers about the recent trends in unsecured personal loans and their effects on financial health. This understanding assists primary school teachers to reexamine their borrowing patterns with the emerging unsecured personal loans.

1.7 Scope of the Study

This research was conducted on public primary school teachers in Emining Division, Baringo County, Kenya, from March to August 2016. The study targeted public primary school teachers who have worked with the TSC for more than two years and have borrowed unsecured personal loans. The data collected was mainly quantitative data that was important in evaluating the effects of school fees loans on household financial health of primary school teachers in Emining Division, Baringo County, Kenya, assessing the effects of home improvement loans on household financial health of primary school teachers in Emining Division, Baringo County, Kenya, examining the effects of emergency loans on household financial health of primary school teachers in Emining Division, Baringo County, Kenya and establishing the effects of development loans on household financial health of primary school teachers in Emining Division, Baringo County, Kenya. Questionnaires were used to collect data and correlation, ratio analysis and multiple regressions was conducted to analyze the data.

1.8 Limitations and Delimitations of the Study

This study was limited by time to administer and collect questionnaires since the research involved personal delivery of questionnaires to the respondents followed by personal explanations and clarifications. Accessing respondents was also difficult since most of them were busy currying out school work hence out of the 165 questionnaires administered, only 123 were successfully completed. The rest were either incomplete or not returned at all.

In respect to the limitation as to the time to administer the questionnaires, the field research took six months to allow reliable administration, explanations and clarification of questionnaires. The study also considered reliability on questionnaires by improving face validity through conducting a pilot study in selected primary schools which were excluded from the study during the data collection phase. As to access to the respondents, the study considered the successfully completed questionnaires to represent the sample since the response rate of 74.5% is deemed adequate to achieve the study objectives.

1.9 Operational Definition of Terms

Debt servicing- is the cash that is required for a particular time period to cover the repayment of interest and principal on a debt. Debt servicing for an individual often includes such financial obligations as a mortgage and student loans.

Development/ Normal Loan- This is a loan granted mainly for the purpose of long term development to address needs such as Building homes, Large Scale farming, Motor vehicle purchase among others.

Emergency Loans – These are cash advance loans to cover some expenses such as unexpected medical bill, car repair, bad credit and top ups.

Financial Health- Financial health is a term used to describe one's personal financial situation measured in terms of liquidity, solvency, savings and debt servicing.

Home Improvement Loan-This is a loan for Repairs / Renovations / Improvement / Extension of Home and for Furniture, Fittings & Fixtures.

Household- Household refers to a person or group of people living in the same compound, answerable to the same family head and sharing a common source of food and income.

Liquidity- a measure of house hold's ability to maintain adequate cash reserves for committed expenses when faced with emergencies.

Savings- a measure how much an individual or household has put away for non-immediate use.

School Fees Loan- This is a loan designed to meet all the school fees needs of clients in all levels of education; Elementary, Primary, High School and College (Graduate & Post graduate). This loan can be taken out by parents/guardians for students or by salaried individuals who wish to further their studies.

Unsecured Personal Loans- Unsecured loan is a loan that is issued and supported only by the borrower's credit worthiness rather than a type of collateral. It is guaranteed based on the borrower's financial capacity, credit history, earnings potential and or liquidity.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter focused on the review of relevant literature and related empirical studies on the effects of unsecured personal loans on household financial health of salaried primary school teachers and other core aspects of the topic under study. The purpose of this review was to identify knowledge gaps which this study sought to fill.

2.2 Theoretical Review

This section focuses on the various theories guiding the study by specifically discussing Fisher Irving, the theory of interest and Modigliani and Friedman Expenditure, savings and Life Cycle theory.

2.2.1 Fisher Irving, the Theory of Interest

Theory of interest rates by (Irving, 1930) relates the nominal interest rate i to the rate of inflation π and the "real" interest rate r . The real interest rate r is the interest rate after adjustment for inflation. It is the interest rate that lenders have to have to be willing to loan out their funds. Fisher states that the rate of interest is dependent upon very unstable influences many of which have their origin deep down in the social fabric and involve considerations not strictly economic. Any causes tending to affect intelligence, foresight, self-control, habits, the longevity of man, family affection, and fashion will have their influence upon the rate of interest.

Fisher's study postulates that loans can either be private or public loans. Private loans can be further classified to consumption or personal loans and productive or business. Consumption or personal loans are loans of individuals for personal purpose rather than those arising out of business relations. Of this, the first class comprises loans contracted because of misfortune or improvidence. It is evident, therefore, that the loans as just described are made by the borrower for the sake of correcting an income stream the time shape of which is unsatisfactory. Hence this study adopted Fisher Irving, the theory of interest because it was expected that through the uptake of unsecured personal loans, primary school teachers were correcting an income stream the time shape of which is unsatisfactory.

2.2.2 Modigliani and Friedman Expenditure, Savings and the Life Cycle

The life-cycle hypothesis has been utilized extensively to examine savings and retirement behavior of older persons. This hypothesis begins with the observation that consumption needs and income are often unequal at various points in the life cycle. Younger people tend to have consumption needs that exceed their income. Their needs tend to be mainly for housing and education, and therefore they have little savings. In middle age, earnings generally rise, enabling debts accumulated earlier in life to be paid off and savings to be accumulated. Finally, in retirement, incomes decline and individuals consume out of previously accumulated savings, (Modigliani, 1954)

Modigliani postulated that decisions on consumption and savings were made by the individual consumers based on anticipated lifetime earnings and consumption, not just on that years need. This hypothesis would explain the almost universal consumption beyond their means by young people not in terms of immaturity but in their high expectations.

Friedman in 1957 presented the permanent Income Hypothesis, which is similar to Modigliani's work. Milton Friedman's PI hypothesis originates from the basic intuition that individuals would wish to smooth consumption and not let it fluctuate with short run fluctuations in income. In fact the model was developed to explain important empirical facts in a unified framework. For example, why is income more volatile than consumption and why is the long run marginal propensity to consume out of income higher than the short run one? To answer these questions Friedman hypothesized that individuals base their consumption on a longer term view of an income measure, perhaps a notion of lifetime wealth or a notion of wealth over a reasonably long horizon. The basic hypothesis posited is that individuals consume a fraction of this permanent income in each period and thus the average propensity to consume would equal the marginal propensity to consume. Modigliani and Friedman expenditure, savings and life cycle theory was relevant in this study in postulating that consumption needs and income are often unequal at various points in the life cycle and that individuals would wish to smooth consumption and not let it fluctuate with short run fluctuations in income.

2.3 Concept of Unsecured Personal Loans

Yunus (2001) had a vision of unleashing the productive potential of millions of poverty stricken people. His vehicle to achieve this was unsecured loans. Expanding access to financial services holds the potential to help ease poverty and spur economic development. In practice it has not been so easy. Commercial banks have faced challenges whilst trying to expand access to poor and low- income households in developing economies, (Rosenzweig, 2009)

Supporters of unsecured lending argue that access to credit benefits economic development, poverty reduction and the improved of all citizens, ((Hudson, 2009). On the other hand, many protest that whilst some consumers are able to manage their borrowing effectively the ease of access to credit causes over- indebtedness, (Gallagher, 2007). These conflicting opinions have given rise to the discussion about financial health of consumers of unsecured lending.

The impact of unsecured lending especially in the case of personal loans has mixed opinions. Proponents of unsecured lending claim this unprecedented phenomenon is actually a good thing. They believe it improve the economy and provides credit to those who were previously denied access. The poor and previously unbanked are now able to buy the possession they really need and improve their financial position by gaining access to food, healthcare, and jobs. Advocates of unsecured lending exclaim that opportunities have arisen of their customers through this unsecured channel to finance their cars, houses, businesses and extend their education, (Conzo, 2013). Drentea & Lavrakas (2000) have suggested that debt “may be a more sensitive barometer of financial well-being than income” because it represents accumulated hardships over time. While this observation reinforces the likely importance of debt as a socio economic indicator, it also points to the potential confounding that arises from longitudinal accumulation of debt.

2.4 Nature and Types of Unsecured Personal Loans

There are two major types – revolving line of credit and fixed-interest installment loans. Credit cards, medical bills, and auto, student, and payday loans are categorized as unsecured debt.

There are different types of credit cards, including no annual fee, rewards, low interest, and department store credit cards. They are offered with different perks such as concierge service, insurance policies, extended warranty, free airfare, and hotel stays. Some issuers also feature discounted purchases, flowers, movie tickets, and more. Discounts may not be available for

internet purchases. Many credit card issuers offer roadside assistance, including breakdown towing, lock-out assistance, fuel delivery, and flat tire changes. Hazard weather services, emergency accommodation, and car rental are also offered.

The Normal Loan is designed to address the development needs such as Building homes, Large Scale farming, Motor vehicle purchase among others. This is a loan granted mainly for the purpose of long term development. Repayment is spread over a period of 72 months. The top up or refinance loans allow members to borrow more money to complete projects. These are loans for any additional money which will enable members to complete initiated projects, and boost savings by cash. The Somesha Loan has been designed to meet all the school fees needs of clients. It is given to clients with existing business in a group set up. It can be a first loan for a client who feels that school fee is the most pressing issue. It can also be given as an additional loan. The money is used to pay tuition and board, textbooks, school supplies, and other expenses. This product also extends to other educational courses such driving school, short courses, training etc. The loan is available to finance all levels of education; Elementary, Primary, High School and College (Graduate & Post graduate). It is a loan intended for educational advancement, this loan can be taken out by parents/guardians for students or by salaried individuals who wish to further their studies, (KCB on unsecured personal loans, 2014)

Further Advances for existing borrowers who have conducted their accounts satisfactorily for the last three years or to prospective borrowers holding clean title of residential property in a city, town or municipal centre, are allowed to borrow home improvement loans. This is a loan for Repairs / Renovations / Improvement / Extension of Home and for Furniture, Fittings & Fixtures, These are loans that give the opportunity to buy own property. Home buyers need to make provision for the upfront bond registration and transfer costs as well as any deposit required. With this product, you can buy an existing, developed residential property and get up to 100% financing. Auto financing is another type of personal loan offered by financial institutions and car dealerships. The money can be used to purchase a new or used vehicle. This type of financing is offered to borrowers with good or tarnished credit, but in the latter case collateral is often required, (CFC Bank on types of loans, 2014).

2.5 Concept of Household Financial Health

Household refers to a person or group of people living in the same compound, answerable to the same family head and sharing a common source of food and income.

The World Health Organization (WHO) defines “quality of life” as the “individuals perception of their position in life in the context of the culture and value of systems in which they live and in relation to their goals, expectations, standards and concern”, (WHO, 1997). Financial health lies centrally on overall health. The quality of life assessment instrument developed by the WHO incorporates areas such as physical health, psychological, level of independence, social relationships, environment, spirituality, religion and personal beliefs. Financial aspects fit under the environment category and can be related to the “financial resources” and “freedom” sub-groupings within “environment”.

The concept of financial health is a difficult one to describe exactly, although, logically it should be situated in concepts of general health. Many attempts have been made to provide both qualitative and quantitative measures of financial health but there remains little agreement as to the best way to measure the construct, or even which construct was being measured, (Neill, Prawitz, Sorhaindo, Kim, and Garman, 2006). They further report that many researchers have shown economic distress to be a good predictor of lower levels of overall health. There is currently a gap in the research as to what exactly is meant by the term financial health and an easy way to think about financial health is the status of being financially healthy, happy and free from worry, (Xiao & Gene, 2008)

Financial health is a term used to describe the one’s personal financial situation. Financial therapy is the integration of cognitive, emotional, behavioral, relational, and economic aspects of financial health, (Asebedo, Mccoy, & Archuleta, 2013). Therefore, financial health compares to the level of satisfaction a person feels about their financial situation. Financial satisfaction includes being content with one’s material (objective) and non-material (subjective) financial situation, (Dowling, Corney, & Hoiles, 2009). How a person manages his or her personal finances has been shown to be a major influence contributing to satisfaction or dissatisfaction with a person’s financial situation, (Woodyard & Ph, 2013)

Financial health can be determined by learning how to prepare various financial statements. Financial statements are documents that accurately reflect one’s personal financial position at a

specific point in time. These statements include a budget (record of expected income and spending for the future, generally for a month or a year) a balance sheet (record of one's assets, what is owned) and liabilities (what one owe others) at a specific point in time, usually at the end of a month, quarter, or year) and an income statement (record of spending over a specific period of time, generally a month or a year), (Steed, 2011)

2.5.1 Measuring Financial Health

Financial health is a term used to describe one's financial situation. The amount of savings one has, how much he/she is setting away for retirement and how much of his/her income is being spend on fixed or non-discretionary expenses are the dimensions of financial health. The parameters used to measure household financial health are liquidity, solvency, savings and debt servicing (Garret & James, 2013). Credit scores and credit changes as well as other credit record variables are also used to measure financial health. Credit scores conveniently summarize one's credit history.

Prior research has identified several financial ratio guidelines that are useful in identifying household financial health issues, such as liquidity problems and insolvency, (Lyons and Yilmazer, 2005) Since each ratio could capture a different aspect of the financial circumstances of the household, a single ratio may not be comprehensive enough to accurately capture the magnitude to which households are having financial problems (Baek and DeVaney, 2004). Financial ratios could be used to assess a household's ability to avoid major debt (solvency ratio), maintain adequate cash reserves for emergencies (liquidity ratio), and show the accumulation of assets towards financial goals (investment assets ratio).

Two ratios can help in determining whether or not one have enough monetary assets to pay for a large, unexpected expense or to tide an individual over in case of a period of reduced or eliminated income: the current ratio and the "month's living expenses covered" ratio. The current ratio tells how many times over one could pay off his/ her current liabilities with the cash he/ she have on hand. To calculate current ratio, divide the amount monetary assets (your current assets) by the amount of current liabilities. The more times one can pay off his/ her current liabilities, the better off they are financially. A ratio greater than two is recommended. The second important ratio is the "month's living expenses covered" ratio. This ratio tells how many months one could survive financially if he/ she lost all current sources of income. To calculate this ratio,

divide the amount of monetary assets by the amount of monthly living expenses. Living expenses should not include charitable contributions, taxes, or savings, because if one lost his/ her job, he/ she would not have these expenses or savings. A ratio that allows you to pay your living expenses for three to six months is recommended. The ratio should be equal to at least as many months as it would take to get a new job if one lost his/ her current job, (Steed, 2011)

The debt ratio and the long-term debt coverage ratio can help determining whether or not one can meet his/ her current or long-term debt obligations. Debt ratio tells whether one could pay off all his/ her liabilities if he/ she liquidated all his/ her assets. This ratio is equal to total liabilities divided by total assets and represents the percentage of assets that are financed with borrowed money. This ratio should go down as one grows older. Long-term debt coverage ratio tells how long one could continue to make payments on his/ her long-term debt based on the amount of money he/ she have for living expenses. To calculate this ratio, divide the amount available for living expenses (i.e., wages minus taxes) by the amount of long-term debt payments. The higher this ratio, the better; a higher ratio indicates that one could cover his/ her debt payments for a longer period of time. This ratio should go up over time, (Steed, 2011)

The net savings ratio and the gross savings ratio can help in determining whether one is saving as much of his/ her income as he/ she think. Net savings ratio tells what proportion of one's after-tax income he/ she is are saving. To calculate this ratio, divide the amount of income saved by the amount of income used to cover living expenses. In the United States, the average ratio has ranged between negative 2 percent and 8 percent; however, the ratio may vary from this average depending on one's current financial stage and personal goals. If this ratio is decreasing, necessary changes should be made. Gross savings ratio tells what proportion of one's before-tax income is being saved. This ratio is equal to total savings divided by total income,(Steed, 2011)

2.6 Empirical Studies

Nangila (2013) carried out a study on the effects of unsecured personal loans on household welfare of secondary school teachers in Bungoma County, Kenya. The objectives of the study were to establish the nature of unsecured personal loans offered by commercial banks and to establish the effects of unsecured personal loans on Household welfare of secondary teachers in Bungoma County-Kenya. The conclusion was that the major types of unsecured personal loans

borrowed by secondary school teachers were Home improvement, Education, loans to provide capital, medical loans and loans to clear other loans and that access and utilization of unsecured personal loans by secondary school teachers in Bungoma County has led to improved healthcare, and better education, female teachers' empowerment, poverty levels reduction, new business startups, improved total household consumption, provision of startup capital for new businesses and development of better housing by secondary school teachers.

Elliott (2013) studied on whether student debt jeopardize the short term financial health of U.S households. The study used a survey of consumer finances to determine whether student loans are associated with household net worth. They concluded that median 2009 net worth (\$117,000) for households with no outstanding student loan debt is nearly three times higher than for households with outstanding student loan debt (\$42,800). With their multivariate statistics, they indicated that households with outstanding student loan debt and a median 2007 net worth of \$128,828 incurred a loss of about 54 percent of net worth in 2009 compared with households with similar net worth levels but no student loan debt over the same period. The final conclusion of the study was that outstanding student debt may jeopardize the short-run financial health of households.

Tilakaratna (2006) studied on the impact of micro-credit on selected household welfare attributes: evidence from Sri-Lanka. Both Quantitative and qualitative approach based on recently conducted national level household survey on micro finance in Sri- Lanka were utilized and Pearson correlation method was used to analyze data. The results indicated that on overall, micro-credit has enabled the household to improve their income, assets, housing condition etc; however, the magnitude of impact varies across different income groups. That micro-credit has largely helped the middle and higher income quintiles to increase their level of income, assets and housing, while there is no significant impact on these attributes for the poorest quintile whose impact of Micro- credit is mainly on their consumption level.

Rom (2013) carried out a study on the impact of unsecured lending on the financial wellbeing of consumers. A survey was used to gather data which was statistically analyzed by means of descriptive quantitative research strategy and the conclusion of the study was that those who make use of unsecured lending as a means of accessing finance have a better subjective view of their financial wellbeing than those who do not make use of unsecured lending and further that

consumers who make use of multiple unsecured loans have an improved outlook with regard to their financial position than those who do not make use of multiple unsecured loans.

Mueni & Kiiru (2007) researched on the Impact of microfinance on rural poor households' income and vulnerability to poverty: case study of Makueni district, Kenya. The main objective of the research was to analyze the impact of microfinance on household income as well as measure household vulnerability to poverty after access to microfinance. The study was an experimental case of Makueni district where participants in microfinance programmes and non-participant households were studied over time. On integrating time dynamics in the analysis, the results indicate a positive and significant impact of microfinance on household income. The study concluded that there is a role of microfinance on the improvement of household incomes.

Muayila (2012) assessed the impact of credit constraints on farm household economic welfare in the Hinterland of Kinshasa, Democratic Republic of Congo. The study used cross sectional data collected at household level in Hinterland of Kinshasa, Democratic Republic of Congo and survey was conducted from February to March 2008. Non-parametric method known as the propensity score matching was applied to compute the impact of credit constraints on farm household welfare and the results from descriptive statistics established the existence of high level of credit constraints among farm households in the area of study. The study concluded that the improvement of farm household access to credit result in increasing economic welfare.

Shofi, Mazumder and Wencong, (2013) wrote a paper on micro-credit and poverty reduction: a case of Bangladesh. The main purpose of this paper was to give an overview about access to micro-credit for rural poor and its impact on their poverty situation and relevant factors related to income of the micro-credit recipients. Data was collected in two phases from the same respondents (April 2009 and April 2010) using a face-to-face interview scheduled from a sample of 360 micro-credit recipients. Additionally, another set of 60 non-credit beneficiary respondents was also taken as a control group to compare the consequences of the program. Different statistical tests (chi-square, f-test) were used to analyze the association and extent of contribution within the variables and in order to assess the factors related to income, education and other variables of the borrowers, multiple regression analysis was performed. Major findings revealed that positive impact was found on income, assets endowment, standard of living and poverty reduction. Utilization of credit appeared to be major factor for credit recipients raising income

compared to their control group. Conclusion of the paper was that micro-credit tends to be an important factor to have an impact on household income which minimizes the poverty situation to a reasonable extent.

Thompson and Gicheva (2013) analyzed the effects of student loans on long-term household financial stability. The study estimated linear probability models in which the dependent variable was a binary measure of household financial stability and the observed relationship between student debt and the outcomes of interest was likely to be compounded by unobserved heterogeneity even when all available human capital and occupation controls were included. For the amount of accumulated student debt that exploits time variations in the size of the federal and private student loan programs, they used an instrument based on the observed upward trend in student borrowing since the 1970s when the federal student loan program was in its early stages. The study concluded that holding student debt is likely associated with decreased financial stability, particularly for individuals who accumulate debt but do not complete a Bachelor's degree.

Quach, et. al (2005) conducted a cross-sectional study to study the access to credit and Household Poverty reduction in Rural Vietnam. The objectives of the study were to propose and implement an econometrics framework seeking to overcome the shortcoming of the research methodology in previous studies and to seek to obtain evidence on the impact of credit on household economic welfare in Vietnam. An economics framework was used to analyse the effect of household credit on the economic welfare of households from two household surveys undertaken in 1992/ 1993 and 1997/198 to devise empirical evidence. The conclusion of the study was that household credit contributes positively and significantly to the economic welfare of household in terms of per capital expenditure, per capital food expenditure and per capital non-food expenditure. The study also concluded that credit has greater positive effects on the economical welfare of poor household and find that the age of the household head, the household size, land ownership and saving and the availability of credit at village level are key factors that affect household borrowing.

Langat, Mutai, Maina and Bett (2009) carried out a research on the Effect of credit on household welfare: the case of n“village bank” model in Bomet district, Kenya. The objectives of the study were to establish the difference of incomes of the household who are participants and non-

participants in “village bank” credit in Bomet District and to determine the effect of the “village bank” credit on household expenditure in Bomet District. A sample of 125 “village bank” members was selected, out of which 91 had used the credit service and the other 34 had not. Primary data on the selected respondents were collected using a structured interview schedule and secondary data were obtained from the selected “village banks” operating in the study area and relevant government departments in the district. The study used analysis of variance and Heckman’s selection model which corrects for selectivity bias in the sample. The results from the study concluded that farm income, off- farm income; distance to market and household assets influences the probability to participate in “village bank” credit. The household income of credit participants was also higher than that of the non-participants. There was a positive relationship between the amount borrowed and household expenditure. Age of the household head, farm income, distance to market and off- farm income also paid a significant role in influencing the well being of a house hold.

Faragui (2008) studied indebtedness and the household financial health: An examination of the Canadian Debt Service Ratio distribution concluded that debt and asset holdings of households are relatively well matched, the distribution of the Debt Service Ratio is skewed to the right and this skew has increased slightly since 1999. It was a cross-country comparison of the Canadian DSR distribution with the U.S distribution and the analysis also showed that in 2004, the household sector in Canada seemed less vulnerable to macro-economic shocks than U.S households. The study involved calculation of mean, median, variance, skewness and Kurtosis.

Using evidence from British Household Panel Survey (BHPS), (Del-río & Young, 2005) carried out a research on the impact of unsecured debt on financial distress among British households. An ordered-logit model was estimated for 1995 and 2000 using a self- reported indicator of financial distress and the dependent variables. The conclusions of the study were that the main factors causing debt problems are the unsecured debt- income ratio, the level of mortgage income gearing, the level of financial wealth of households, their health, ethnicity and marital status. More households in the youngest age group reported debt repayments were a heavy burden in 2000, while the opposite applies to the oldest age group where a smaller proportion of household, than in 1995 reported debt was a heavy burden. In particular, the study concluded that

the increase in indebtedness of the young was the main factor accounting for their greater tendency to report debt problems.

Karasulu (2008) while conducting a research on stress testing household Debt in Korea concluded that a 100-300 bps increase in interest rate could increase distressed household debts household by $8\frac{1}{2}$ -17 percent point and a drop in real estate prices by 10-30 could add another 4 percent point to distressed debt. That household level analysis suggests that most of the increase in debt can be attributed to increased indebtedness of above - median - income and older households and is closely linked to home ownership. Low levels of nonperforming loans and high bank capitalization levels limit systematic financial risk, but potential risks to household balance sheets point to need for vigilance and further strengthening of risk management capacities. Ensuring that the debt payment ability of households at the end of grace period is taken into account when loans are extended would help reduce future vulnerabilities.

(Bhutta, 2012) studied on payday credit access and household financial health: evidence from consumer credit records. The study employed a large panel dataset of individual credit records, and census data on payday lender store locations, to access the concern. Matched ZIP codes and state lending laws were used to generate plausibly exogenous variation in access to pay day loans and a little to no effect of access was found on consumer's financial health as measured by credit score levels in 2008 and the incidence of substantive score dropped during the recent recession. The analysis also indicated that neighborhood racial composition had little influence on payday lender store locations conditional on income, wealth and demographic characteristics.

2.7. Study Gap

Most studies in developing countries (Quach, 2005); (Omwange, 2012); (Nangila, 2013) have associated credit especially unsecured personal loans to improved household welfare. However, studies in developed countries (Del-río & Young, 2005); (Elliott & Nam, 2013) have associated unsecured loans with decreased financial stability. Primary school teachers are among the major beneficiaries of unsecured personal loans due to its flexibility in repayment and ease of access. None of these studies focused on the effects of unsecured personal loans on house hold financial health of primary school teachers. It is also important to evidence the impact of unsecured personal loans on household financial health in a developing economic environment. This study

was carried out to establish the effects of unsecured personal loans on household financial health of primary school teachers in Emining Division, Baringo County, Kenya.

2.8 Conceptual Framework

This section presents conceptual framework discussing the variables of the study and their relationships.

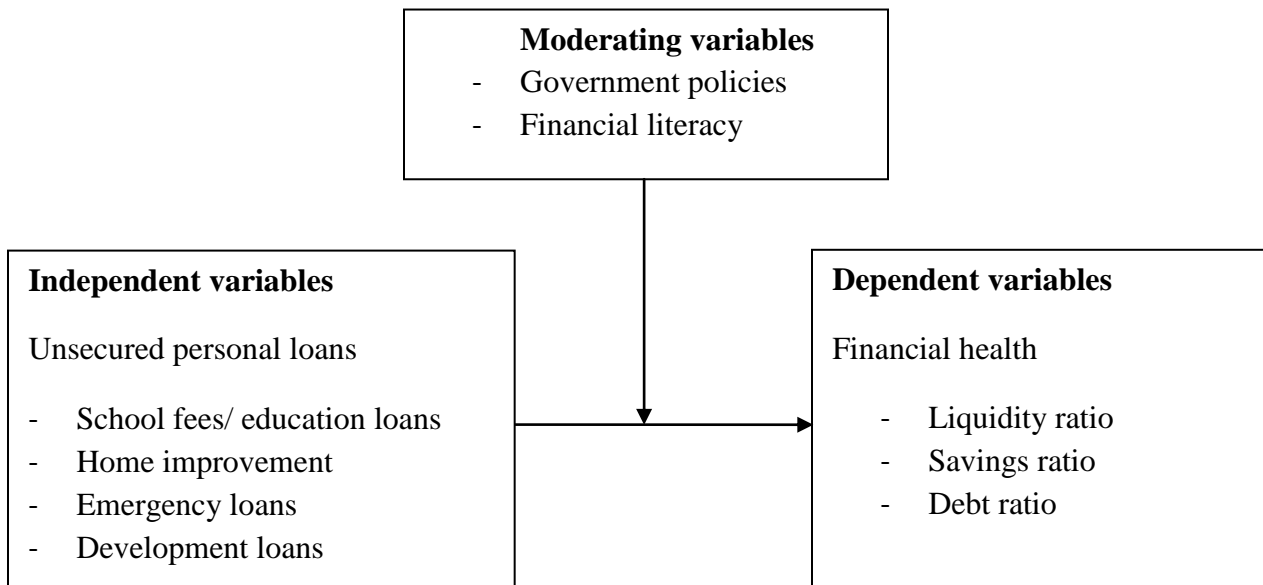


Figure 2.1: Conceptual Framework

The conceptual framework above represents the relationship between the independent variables and the dependent variable under study. The framework has been formulated from general and specific objectives of the study. It therefore highlights the relationship between unsecured personal loans and household financial health of primary school teachers. By this, the framework is used to present the key variables under unsecured personal loans including school fees loans, home improvement loans, emergency loans and development loans with regard to their uptake by primary school teachers in Emining Division, Baringo County, Kenya. Consequently, the dependent variable, that is house hold financial health, has been characterized by house hold's liquidity, savings and debt servicing. On the other hand, the various forms of unsecured personal loans have been characterized by the amount of loans borrowed. In addition, the framework has also presented moderating variables. They include government policies, and financial literacy of the primary school teachers.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

Descriptive survey research design was used in this study to assess the Effects of Unsecured Personal Loans on Household Financial Health of Salaried Primary School Teachers in Emining Division, Baringo County, Kenya. The rationale for choosing this design is based on its ability to provide information about the naturally occurring status, behavior, attitudes or other characteristics of a particular group and describes what exists and may help to uncover new facts and meaning to depict the participants in an accurate way. This approach was used to describe variables rather than to test a predicted relationship between variables and it provide the researcher with appropriate techniques for systematic collection of extensive data from a large group of respondents through administration of questionnaires (Orodho, 2009)

3.2 Population

The population for this study was public primary school teachers in Baringo County, Kenya. According to Education office, Baringo County (2016), 6,084 teachers are spread over 676 primary schools.

The target population for this study was public primary school teachers in Emining division, Baringo County, Kenya. According to the District Education Office, Mogotio Sub-County (2016), Emining division has a total of population of 278 primary school teachers. The teachers are evenly spread over 32 public primary schools; with only one school having a total of 22 teachers. This population is represented by both female and male teachers employed by the TSC.

3.3 Sample Size and Sampling Procedure

To arrive at the sample size of primary school teachers, a formula by (Yamane, 1967) was used as below:

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

Where:

Where n is the sample size,

N is the population size, and

e is the level of significance at 5%

A standard 1.96 (as per table of area under normal curve for the given confidence level of 95%) and $P=0.05$.

When this formula is applied, the following sample size was arrived at;

$$n = \frac{278}{1 + 278(0.05)^2}$$

$$n = 164$$

Dividing the sample size by 33 primary schools where the primary school teachers are evenly distributed ($164/33$), 5 teachers were sampled in each school giving a total of 165 primary school teachers.

The study adopted a purposive sampling design. According to (Sam & Wright, 2000) purposive sampling enables a researcher to select units that will best achieve the objectives and aims of a study.

3.4 Instrumentation

The study collected primary data through structured questionnaires. The use of questionnaire was relatively quick in collecting information from the respondents. Additionally, potential information could be collected from a large portion of a group (Kothari, 2008). The questionnaires were divided into three sections. Section A contained the general information about respondents, section B was information on nature of unsecured personal loans offered by commercial banks, and section C contained information on the effects of unsecured personal loans on household financial health of primary school teachers in Emining division. The questionnaire comprised of structured questions. Closed ended questions were used whereby the yes or no answers were captured for analysis in the succeeding question.

3.5 Data Collection Procedures

The researcher sought permission from the university to collect data from the respondents. Once permission was obtained, the researcher personally went to the field to issue the questionnaires. The questionnaires were administered with the school's administration permission. The questionnaire has the advantages of being cheap, easier to administer and can be left with the respondents to respond at their own free time and results in data suitable for analysis as designed by the researcher.

3.6 Validity and Reliability

Validity of a questionnaire refers to the extent to which it measures what it claims to measure (Mugenda & Mugenda, 2003). In other words; validity is the degree to which results obtained from the analysis of the data actually represents the phenomena under study. In determining the validity of the instruments in this study, both face validity and content validity were checked. Face validity deals with the reflection of the content being measured. To improve face validity of the instruments, a pilot study was conducted in Mogotio division, Baringo County. The pilot data were not included in the actual study but it allowed for pre-testing of research instrument. Pre-testing of the questionnaire provides the opportunity to refine the questionnaire by revealing errors in the questions, sequence and design and see how the questionnaire performs under actual conditions (Churchill & Iacobucci, 2002). Piloting enhanced the instrument's validity and reliability as well as familiarity with the administrative procedures in data collection. The results helped the researcher to correct inconsistencies arising from the instruments. The pilot questionnaires were then analyzed for reliability using Cronbach reliability coefficient. A coefficient of 0.70 and above was considered adequate for the instrument to be considered adequate for study, (Gay, 1992).

Reliability refers to the consistence of the research instruments. Data reliability is the foundation of making a successful and meaningful study. In order to collect reliable data, the researcher designed the questionnaire through an elaborate procedure which involved a series of revisions under the guidance of the supervisors to ensure that fieldwork was conducted by use of high quality data collection instrument.

3.7 Data Analysis

Data was analyzed using Pearson Correlation, multiple regression. Inferential statistics, that is, Karl Pearson Correlation was used to apply a one-on-one relationship between the independent variables and the dependent variable, while holding all other factors constant. Correlation provided a basis to determine the relationship between the various variables under study. This formed the basis for rejecting or failing to reject the null hypothesis. Correlation co-efficient (r) value that is greater than 0.5 indicate a strong relationship between the variables while (r) values below 0.5 indicate a weak relationship between the variables. Two tail t-test and ANOVA test was used to determine the degree of significance of the relationship. The regression model measured the

effect of having taken an unsecured personal loan on household financial health indicators. The basis of this regression model was to determine the effect of unit increase/ decrease in each financial health indicator on the household financial health of Primary school teachers.

The model is expressed as;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where: Y is the dependent variable (household financial health)

β_0 is Y intercept

$\beta_1, \beta_2, \beta_3, \beta_4$ are the regression (beta coefficients)

X_1 is uptake of school fees loans

X_2 is uptake of home improvement loans

X_3 is uptake of emergency loans

X_4 is uptake of development loans

ε is regression error term

From the regression model the household financial health was measured by observing the effect of a unit increase/ decrease of the independent variables on the household financial health factor. Liquidity ratios, that is, the current ratio and the month's living expenses ratio, savings ratio as well as debt servicing ratios, that is, debt ratio and long term debt coverage ratio was also used to determine household financial strengths or weaknesses of primary school teachers as a result of having taken unsecured personal loans. Statistical package for social sciences (SPSS) software version 21 was used in data analysis to determine whether the results indicate positive or negative relationships.

CHAPTER FOUR
DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Findings on Pilot Test

The Cronbach's Alpha was computed for every variable in the study through SPSS. The overall alpha was obtained as shown in Table 4.1

Table 4. 1 Reliability Test Results

Variable	Cronbach's Alpha	N of Items
School fees loans	.878	9
Emergency loans	.857	11
Home improvement loans	.898	10
Development loans	.911	10
Overall Alpha (α)	.912	40

Source: Pilot Study, (2016)

Table 4.1 above shows the mean of Cronbach's alpha as calculated through SPSS. Mean Cronbach's value of 0.912 was obtained. This result was greater than the threshold 0.7 and the items were therefore considered as reliable.

4.2 Descriptive Analysis on Background Information

A total of 165 questionnaires were issued out to respondents. 123 questionnaires were correctly filled and collected by the researcher. This showed a response rate of 74.55% which was deemed adequate to achieve the study objectives.

4.2.1: Respondents Distribution by Gender, Age and Period Worked With TSC

Out of 123 respondents, 57.7% were male while 42.3% of the respondents were Female. 8.13% were aged between 18-30, 21.14% were aged between 31-40, 51.22% were aged between 41-50, and 19.51% were aged over 50 years. This showed that majority of respondents were aged between 41-50 years. Majority (86.81%) had worked with TSC for 10 years and above, 7.692% had worked for 6 to 10 years and 5.495 had worked for 2 to 5 years. This means the respondents have enough experience with TSC therefore they are reliable source of information.

4.2.2 Nature of Unsecured Personal Loans

Respondents were asked whether they had ever taken unsecured personal loans and majority (97.56%) of them had taken while the minority (2.44%) left the question unanswered. Regarding where they obtained the unsecured personal loans, majority (57.32%) obtained the loans from SACCOS, 36.59% from Commercial Banks while 6.098% obtained from Micro finance Co. Respondents were also asked to indicate the purpose of obtaining unsecured personal loans. Most (34.15%) of them obtained the loans for education purpose, 29.27% for home improvement, 28.46% for emergency while 8.13% to provide development. Regarding multiple borrowing, 47.97% indicated Yes, 35.77% indicated No while 16.26% did not respond.

4.3 Descriptive Analysis of Unsecured Personal Loans

Unsecured personal loans were studied in terms of school fees loans, home improvement loans, emergency loans and development loans. Analysis of the responses is presented below.

Table 4. 2 Descriptive Analysis of School Fees Loans

	N	Min	Max	mode	Median	Mean	Skew	Kurt	Std. D
School fees loans	123	6.00	8.0	8.0	8.0000	7.2571	-.555	-1.717	.95001
Valid N	123								

According to the results in table 4.2, the minimum percentage of school fees loans taken by primary school teachers who were studied was 6.0 while the maximum was 8.0. The mode of 8.0 signifies that the most frequent school fees loan percentage taken by the teachers who were studied was 8.0 percent. Moreover, table 4.2 reveals that primary school teachers with 8.0000 percent school fees loans formed the midpoint of the sample. The table shows that the mean of school fees loans was 7.2571 with a skewness of -.555. The negative skewness indicates that most of the primary school teachers who were included in the sample had school fees loans of less than 8.0 percent. Furthermore, the negative kurtosis of -1.717 points out that the school fees loans taken by primary school teachers who were studied was distributed to the left of the mean and they were not normally distributed. The standard deviation of .95001 indicates that the school fees loans taken by of most of the teachers ranged between 6 and 8 percent.

4.3.1 School Fees loans and Household Financial Health

The respondents' distribution by number of dependents in the household is shown in table 4.3 below

Table 4. 3 Number of Dependents

	Frequency	Percent
Below 3	6	29.26%
4 to 6	36	30.89%
7 to 9	28	22.76%
Above 9	15	12.195%
Not Responded	38	4.88%
Total	123	100.0%

Source: Research data, (2016)

The Table 4.3 above indicates that majority (30.89%) of the respondents have 4 to 6 dependents, 29.26% below three dependents while 22.76% have 7 to 9 dependents.

4.3.2 Schools Fees Loans Contribution to Household Financial Health.

The respondents were given the following statements relating to school fees loans. On a 5-point Likert scale (Where: 1- Strongly Disagree; 2 – Disagree; 3 – Neutral; 4 –Agree; 5 – Strongly Agree), they were asked to indicate by ticking one, the extent to which the expression was applicable to them. The results are indicated in Table 4.4.

Table 4. 4 Extent to which Schools Fees Loans contribute to Household Financial Health

Relationship	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
My dependents have finished primary and progress to secondary	8.2%	1.5%	9.7%	41%	39.6%
My dependents have finished secondary and progress to College	9.2%	2.3%	13.8%	26.9%	47.7%
Enabled the dependents to finish collage and get employment	11.0%	10.1%	22.9%	22.0%	33.9%

Source: Research data, (2016)

According to Table 4.4, 39.6% of respondents strongly agreed that their dependents have finished primary and progress to secondary, 41% agreed, 9.7% were neutral 1.5% disagreed while 8.2% strongly disagreed that their dependents have finished primary and progress to secondary. When asked if their dependents have finished secondary and progress to College, 47.7% strongly agreed, 26.9% agreed, 13.8% were neutral 2.3% disagreed while 9.2% strongly disagreed that their dependents have finished secondary and progress to college. Asked if school fees loans enabled the dependents to finish collage and get employment 33.9% strongly agreed, 22.0% agreed, 22.9% were neutral 10.1% disagreed while 11.0% strongly disagreed that school fees loans enabled the dependents to finish collage and get employment

The results show that school fees loans generally enable the dependents of primary school teachers finish primary school and progress to secondary, enable them to finish secondary and progress to college and enable them finish college and find themselves employment.

4.3.3 Dependents Educated Using School Fees Loans

The respondents were given the following information relating to number of dependents educated with school fees loans. On a 5-point Likert scale (Where: 1- **None**; 2-**1 to 3**; 3-**4 to 6**;

4- 7 to 9; 5 – Above 9) they were asked to indicate by ticking one, the extent to which the expression is applicable to them. The results are indicated in table 4.5

Table 4. 5 The Number of Dependents Who Have Been Educated Using School Fees Loans

Level of Education	None	1 to3	4 to 6	7 to 9	Above 9
primary school	0.0%	34.3%	5.7%	12.7%	3.0%
secondary school	0.0%	58.3%	16.7%	21.3%	3.7%
college (short courses, driving school, technical training)	0.0%	89.6%	2.1%	8.3%	0.0%
under graduate	3.4%	93.1%	3.4%	0.0%	0.0%
post graduate	100%	0.0%	0.0%	0.0%	0.0%

Source: Research data, (2016)

The statistics from the Table above shows that majority (34.3%, 58.3%, 89.6%, 93.1%) have educated 1 to 3 dependents in primary schools using school fees loans, in secondary school using school fees loans, college (short courses, driving school, technical training), under graduate while 100% have educated non to post graduate respectively.

4.3.4 Whether Dependents Have Completed their Education

When asked whether the dependents had completed their education, of the respondents, 20.33% indicated yes, 68.29% indicated No while 11.38% did not respond as shown in Table 4.6 below.

Table 4. 6 Have the Dependents Completed their Education?

	Frequency	Percent
YES	25	20.33%
NO	84	68.29%
Not responded	14	11.38%
Total	123	100%

4.3.5 The Dependents Contribution to the Current Household Monthly Income.

The respondent's responses as to the amount their dependents contribute to the current household monthly income are indicated in table 4.7.

Table 4. 7 The Extent to which the Dependents Contribute to the Current Household Monthly Income

Amount of contribution in Ksh	None	1 to 3	4 to 6	7-9	Above 9
None		36.4%	38.3%	15.1%	10.2%
500 to 2000	73.1%	23.1%	3.8%	0.0%	0.0%
2001 to 3500	71.4%	14.3%	14.3%	0.0%	0.0%
3501 to 5000	76.7%	15.4%	7.9%	0.0%	0.0%
Above 5000	73.2%	22.5%	4.3%	0.0%	0.0%

Source: Research data, (2016)

The findings from the Table 4.7 above reveal that 36.4% of the respondents indicated that 1-3 of the dependents contribute nothing to the current household monthly income, 38.3% indicate that 4 to 6 of the dependents contribute nothing, 15.1% indicate that 7-9 of the dependents contribute nothing while 10.2% indicate that above 9 of the dependents contribute nothing to the current household income. The results also show 73.1%, 23.1%, 3.8% 0.0% and 0.0% indicated that none, 1 to 3, 4 to 6, 7 to 9 and above 9 of the dependents respectively contributed shillings 500 to 2000. Similarly 71.4%, 14.3%, 14.3%, 0.0% and 0.0% indicated that none, 1 to 3, 4 to 6, 7-9 and above 9 of the dependents respectively contributed shillings 2001 to 3500. The results also show 76.7%, 15.4%, 7.9%, 0.0% and 0% indicated that none, 1 to 3, 4 to 6, 7 to 9 and above 9 of the dependents respectively contributed shillings 3501 to 5000 and 73.2%, 22.5% , 4.3%, 0.0% and 0.0% indicated that none, 1 to 3, 4 to 6, 7-9 and above 9 of the dependents respectively contributed shillings Above shillings 5,000 to the current household monthly income.

The results shows that majority of the respondents indicated that 4 to 6 dependents contribute nothing to the household monthly income and majority also indicated that none of the dependents contribute 500 to 2000, 2001 to 3500 and Above 5000 respectively.

4.3.6 Home Improvement Loans and Household Financial Health.

Table 4. 8 Descriptive Analysis of Home Improvement Loans

	N	Min	Max	mode	Median	Mean	Skew	Kurt	Std. D
Home improveme nt loans	123	3.00	15.0	9.0	7.0000	7.7094	-.591	-.272	3.55271
Valid N	123								

According to the results in table 4.8, the minimum percentage of home improvement loans taken by primary school teachers who were studied was 3.0 while the maximum was 15.0. The mode of 9.0 signifies that the most frequent home improvement loan percentage taken by the teachers who were studied was 9.0 percent. Moreover, table 4.2 reveals that primary school teachers with 7.0000 percent home improvement loans formed the midpoint of the sample. The table shows that the mean of home improvement loans was 7.7094 with a skewness of .591. The positive skewness indicates that most of the primary school teachers who were included in the sample had home improvement loans of more than 7.0 percent. Furthermore, the negative kurtosis of -.272 points out that the home improvement loans taken by primary school teachers who were studied was distributed to the left of the mean and they were not normally distributed. The standard deviation of 3.55271 indicates that the home improvement loans taken by of most of the teachers ranged between 4 and 11 percent.

4.3.7 Home Improvement Loans Contribution to Household Financial Health

The respondents were given the following statements relating to home improvement loans. On a 5-point Likert scale (Where: 1 - Strongly Disagree; 2 – Disagree; 3 – Neutral; 4 –Agree; 5 – Strongly Agree), they were asked to indicate by ticking one, the extent to which the expression was applicable to them. The results are indicated in table 4.9

Table 4. 9 Home Improvement Loans Contribution to Household Financial Health

Relationship	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I am satisfied with the repair and renovation and improvement	13.6%	3.4%	46.6%	16.1%	20.3%
My extension facility has improved	12.8%	6.0%	25.6%	36.8%	18.8%
Home improvement loans has enabled my household to have better furniture	15.1%	8.7%	19%	35.7%	21.4%

Source: Research data, (2016)

According to Table 4.9, 20.3% of respondents strongly agreed that they are satisfied with the repair and renovation and improvement, 16.1% agreed, 46.6% were neutral 3.4% disagreed while 13.6% strongly disagreed that they are satisfied with the repair and renovation and improvement. When asked if their extension facility has improved, 18.8% strongly agreed, 36.8% agreed, 25.6% were neutral 6.0% disagreed while 12.8% strongly disagreed their extension facility has improved as a result of home improvement loans. Asked if home improvement loans has enabled their household to have better furniture, 21.4% strongly agreed, 35.7% agreed, 19% were neutral 8.7% disagreed while 15.1% strongly disagreed that home improvement loans has enabled their household to have better furniture.

The results show that primary school teachers in Emining Division are neutral as to whether they are satisfied with the repair, renovation and improvement as a result of home improvement loans, generally their extension facility has improved and home improvement loans has enabled their household to have better furniture.

4.3.7 Market Value of Home improvement.

The respondents were asked the following information relating to approximate market value in shillings of their home improvement. On a 5-point Likert scale (Where: 1- **Below 10,000**; 2-

10,001-20,000; 3– 20,001-30,000; 4- 30,001- 40,000; 5- Above 40,000) they were asked to indicate by ticking one, the extent to which the expression is applicable to them.

Table 4. 10 Market Value of Home improvement

Type of home improvement	Below 10,000	10,001 to20,000	20,001 to30, 000	30,001 40,000	to Above 40,000
Repair and renovation	40.5%	24.2%	19.9%	8.0%	7.4%
Extension of home	6.5%	11.5%	16.4%	17.1%	48.5%
Furniture, fittings and fixtures	12.9%	16.6%	20.3%	32.7%	17.5%

Source: Research data, (2016)

The findings from the Table 4.10 above reveal that 40.5% of the respondents indicated that the approximate market value of their repair and renovation as a result of home improvement loans is below shillings 10,000. 24.2% indicated that it is between shillings 10,001 to 20,000, 19.9% between 20,001 to 30,000, 8.0% between 30,001 to 40,000, and 7.4% above shillings 40,000. The results also show 6.5%, 11.5%, 16.4% 17.1% and 48.5% indicated that the approximate market value of their home extension as result of home improvement loans is below shillings 10,000, between shillings 10,001 to 20,000, between 20,001 to 30,000, between 30,001 to 40,000, and above shillings 40,000 respectively. The results also show 12.9%, 16.6%, 20.3% 32.7% and 17.5% indicated that the approximate market value of their furniture, fittings and fixtures as result of home improvement loans is below shillings 10,000, between shillings 10,001 to 20,000, between 20,001 to 30,000, between 30,001 to 40,000, and above shillings 40,000 respectively.

The results show that majority of primary school teachers in Emining Division reported that the value of repair and renovation is shillings 10,000 and below, majority having the current value of extension of home above 40,000 while majority having he current value of Furniture, fittings and fixtures between 30,001 and 40,000 as indicated in the Table 4.10 above.

4.3.8 Emergency Loans Contribution to Household Financial Health

Table 4. 11 Descriptive Analysis of Emergency Loans

	N	Min	Max	mode	Median	Mean	Skew	Kurt	Std. D
Emergency loans	123	3.00	15.0	6.0	6.0000	7.0238	.554	-.921	3.99686
Valid N	123								

According to the results in table 4.11, the minimum percentage of emergency loans taken by primary school teachers who were studied was 3.0 while the maximum was 15.0. The mode of 6.0 signifies that the most frequent emergency loan percentage taken by the teachers who were studied was 6.0 percent. Moreover, table 4.2 reveals that primary school teachers with 6.0000 percent emergency loans formed the midpoint of the sample. The table shows that the mean of emergency loans was 7.9238 with a skewness of .554. The positive skewness indicates that most of the primary school teachers who were included in the sample had emergency loans of more than 6.0 percent. Furthermore, the negative kurtosis of -.921 points out that the emergency loans taken by primary school teachers who were studied was distributed to the left of the mean and they were not normally distributed. The standard deviation of 3.99686 indicates that the emergency loans taken by of most of the teachers ranged between 4 and 12 percent.

4.3.9 Emergency Loans and Household Financial Health

The respondents were given the following statements relating to emergency loans. On a 5-point Likert scale (Where: 1 - Strongly Disagree; 2 – Disagree; 3 – Neutral; 4 –Agree; 5 – Strongly Agree), they were asked to indicate by ticking one, the extent to which the expression was applicable to them. The results are indicated in Table 4.12

Table 4. 12 Emergency Loans Contribution to the Financial Household Health

Relationship	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Emergency loans have enable my household to access better health care than before	18.3%	8.6%	17.1%	36.2%	23.8%
Emergency loans have enable me to clear my name from bad credit record	14.3%	15.2%	11.4%	41%	18.1%
Emergency loan have allowed me access top up loans	8.7%	15.1%	19%	21.4%	35.7%

Source: Research data, (2016)

According to Table 4.12, 23.8% of respondents strongly agreed that eemergency loans have enable their household to access better health care than before, 36.2% agreed, 17.1% were neutral 8.6% disagreed while 14.3% strongly disagreed that emergency loans have enable their household to access better health care than before. When asked if emergency loans have enabled them to clear their name from bad credit record, 18.1% strongly agreed, 41% agreed, 11.4% were neutral 15.2% disagreed while 14.3% strongly disagreed the eemergency loans had enable them to clear their name from bad credit record. Asked if eemergency loan have allowed them access top up loans,35.7% strongly agreed, 21.4% agreed, 19% were neutral 15.1% disagreed while 8.7% strongly disagreed that eemergency loan had allowed them access top up loans.

The results show that generally,eemergency loans have enable the household of primary school teachers in Eming Division to access better health care than before, emergency loans have enabled them to clear their names from bad credit record and to a large extent emergency loans have allowed them access top up loans.

4.3.10 The Approximate Current Market Value of the Emergencies.

The respondents were asked the following information relating to approximate market value in shillings of their emergency. On a 5-point Likert scale (Where: 1- **Below 10,000**; 2-**10,001-20,000**; 3- **20,001-30,000**; 4- **30,001- 40,000**; 5- **Above 40,000**) they were asked to indicate by ticking one, the extent to which the expression is applicable to them.

Table 4. 13 The Value of the Emergencies

Type of emergency	Below 10,000	10,001 to20,000	20,001 to30, 000	30,001 40,000	to Above 40,000
Medical	42.5%	17.7%	16.8%	13.6%	9.4%
Clearing bad credit	12.6%	11.7%	15.8%	25.4%	34.5%
Top up	10.8%	13.5%	16.2%	28.2%	31.3%

Source: Research data, (2016)

The findings from the Table 4.13 above reveal that 42.5% of the respondents indicated that the approximate market value of their medical as a result of emergency loans is below shillings 10,000. 17.7% indicated that it is between shillings 10,001 to 20,000, 16.8% between 20,001 to 30,000, 13.6% between 30,001 to 40,000, and 9.4% above shillings 40,000. The results also show 12.6%, 11.7%, 15.8% 25.4% and 34.5% indicated that the approximate market value of loans to clear bad credit is below shillings 10,000, between shillings 10,001 to 20,000, between 20,001 to 30,000, between 30,001 to 40,000, and above shillings 40,000 respectively. The results also show 10.8%, 13.5%, 16.2%, 28.2% and 31.3% indicated that the approximate market value of top up as result of emergency loans is below shillings 10,000, between shillings 10,001 to 20,000, between 20,001 to 30,000, between 30,001 to 40,000, and above shillings 40,000 respectively.

The results show that majority of primary school teachers in Emining have current market value of below shillings 10,000 as medical loans, majority having the current value of loans to clear bad credit being above 40,000 while majority having the current value of top ups above shillings 40,000 as indicated in the Table 4.13 above.

4.3.11 Development loan Contribution to Household Financial Health

Table 4. 14 Descriptive Analysis of Development Loans

	N	Min	Max	mode	Median	Mean	Skew	Kurt	Std. D
Development loans	123	6.00	30.0	6.0	13.0000	14.9754	.694	-.525	7.25505
Valid N	123								

According to the results in table 4.14, the minimum percentage of development loans taken by primary school teachers who were studied was 6.0 while the maximum was 30.0. The mode of 6.0 signifies that the most frequent development loan percentage taken by the teachers who were studied was 6.0 percent. Moreover, table 4.2 reveals that primary school teachers with 13.0000 percent development loans formed the midpoint of the sample. The table shows that the mean of development loans was 14.9754 with a skewness of .694. The positive skewness indicates that most of the primary school teachers who were included in the sample had development loans of more than 13.0 percent. Furthermore, the negative kurtosis of -.525 points out that the development loans taken by primary school teachers who were studied was distributed to the left of the mean and they were not normally distributed. The standard deviation of 7.25505 indicates that the development loans taken by of most of the teachers ranged between 8 and 22 percent.

4.3.12 Development Loans and Household Financial Health

The respondents were given the following statements relating to development loans. On a 5-point Likert scale (Where: 1 - Strongly Disagree; 2 – Disagree; 3 – Neutral; 4 –Agree; 5– Strongly Agree), they were asked to indicate by ticking one, the extent to which the expression was applicable to them. The results are indicated in Table 4.15

Table 4. 15 Development Loan Contributions to Household Financial Health

Relationship	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The level of my household land possession has improved	10.1%	6.2%	9.3%	43.4%	31%
Development loans have provided business	12.3%	7.4%	19.7%	44.3%	16.4%
I am satisfied with the investment in shares	15.5%	10.1%	20.2%	34.9%	19.4%
Development loans have enable my household own better rental houses than before	13.4%	17.0%	10.2%	35.3%	24.1%
development loan enables my household to earn extra income each month	19.1%	12.2%	16%	32.8%	19.8%
Development loans have enable my household possess auto mobiles(car and motorbikes)	24.8%	16%	13.6%	31.2%	14.4%

Source: Research data, (2016)

According to Table 4.15, 31% of respondents strongly agreed that the level of their household land possession has improved, 43.4% agreed, 9.3% were neutral 6.2% disagreed while 10.1%

strongly disagreed that the level of their household land possession had improved. When asked if development loans have provided business, 16.4% strongly agreed, 44.3% agreed, 19.7% were neutral 7.4% disagreed while 12.3% strongly disagreed that development loans had provided business. Asked if they are satisfied with the investment in shares, 19.4% strongly agreed, 34.9% agreed, 20.2% were neutral 10.1% disagreed while 15.5% strongly disagreed that they are satisfied with the investment in shares. When asked if development loans have enabled their household own better rental houses than before, 24.1% strongly agreed, 35.3% agreed, 10.2% were neutral 17.0% disagreed while 13.4% strongly disagreed that development loans had enabled their household own better rental houses than before. Asked if development loan enables their household to earn extra income each month, 19.8% strongly agreed, 32.8% agreed, 16% were neutral 12.2% disagreed while 19.1% strongly disagreed that development loan enables their household to earn extra income each month. Asked if development loans have enabled their household possess auto mobiles(car and motorbikes), 14.4% strongly agreed, 31.2% agreed, 13.6% were neutral 16% disagreed while 24.8% strongly disagreed that development loans had enabled their household possess auto mobiles(car and motorbikes)

The results above shows that majority of the primary school teachers in Eming Division agreed that the level of their household land possession has improved, development loans have provided business, are satisfied with the investment in shares, development loans have enabled their household to own better rental houses than before, development loan have enabled their household to earn extra income each month and development loans have enabled their household possess auto mobiles(car and motorbikes) respectively.

4.3.12. The Current Value in Shillings of Developments as a Result of Development Loans Taken.

The respondents were asked the following information relating to approximate market value in shillings of their developments. On a 5-point Likert scale (Where: 1- **Below 20,000**; 2-**20,001-40,000**; 3- **40,001-60,000**; 4- **60,001- 80,000**; 5- **Above 80,000**) they were asked to indicate by ticking one, the extent to which the expression is applicable to them.

Table 4. 16 Current Value of Development as a Result of Development Loans Taken

Type of development	Below 20,000	20,001 to 40,000	40,001 to 60,000	60,001 to 80,000	to Above 80,000
Land	0.0 %	0.0%	9.9%	31.8%	58.3%
Business e.g. farming, shops etc.	24.5% %	33.1%	17.2%	13.2%	12%
Shares	13%	12%	16.4%	26.6%	32%
Rental houses	0.0 %	0.0%	34.5%	30.2%	35.3%
Auto mobile(car, motorbike)	2.8%	13.7%	21.3%	24.7%	37.5%

Source: Research data, (2016)

The findings from the Table 4.16 above reveal that 0.0% of the respondents indicated that the approximate market value of their land as a result of development loans is below shillings 20,000. 0.0% indicated that it is between shillings 20,001 to 40,000, 9.9% between 40,001 to 60,000, 31.8% between 60,001 to 80,000, and 58.3% above shillings 80,000. The results also show 24.5%, 33.1%, 17.2% 13.2% and 12% indicated that the approximate market value of their business (shops and farming) is below shillings 20,000, between shillings 20,001 to 40,000, between 40,001 to 60,000, between 60,001 to 80,000, and above shillings 80,000 respectively. The results also show 13%, 12%, 16.4%, 26.6% and 32% indicated that the approximate market value of shares as a result of development loans is below shillings 20,000, between shillings 20,001 to 40,000, between 40,001 to 60,000, between 60,001 to 80,000, and above shillings 80,000 respectively. The results also show 0.0%, 0.0%, 34.5%, 30.2% and 35.3% indicated that the approximate market value of rental houses as a result of development loans is below shillings 20,000, between shillings 20,001 to 40,000, between 40,001 to 60,000, between 60,001 to 80,000, and above shillings 80,000 respectively. The results also show 2.8%, 13.7%, 21.3%, 24.7% and 37.5% indicated that the approximate market value automobiles as a result of development loans is below shillings 20,000, between shillings 20,001 to 40,000, between 40,001 to 60,000, between 60,001 to 80,000, and above shillings 80,000 respectively.

Results from the Table 4.16 above shows that majority of the participants indicated that the current value of their land is above 80,000, majority indicate that the current value of business e.g. farming and shops is between 20,001 to 40,000 and majority indicate that the current market value shares, rental houses and auto mobiles is above 80,000.

4.3.13 Extra Income Earned per Month from Development.

The respondents were given the following information relating to approximate value in shillings of extra income earned per month from developments as a result of development loans taken. On a 5-point Likert scale (Where: 1- **Below 1,000**; 2-**1,000-2,000**; 3-**2001-3000**; 4-**3,001- 4000**; 5 **Above 4,000**) they were asked to indicate by ticking one, the extent to which the expression is applicable to them. The findings are shown in table 4.17 below.

Table 4. 17 Extra Incomes Earned Per Month from Development as a Result of Development Loans

Type of development	Below 1,000	1,000 to 2,000	2,001 to 3,000	3,001 to 4,000	to Above 4000
Land	20.4%	23.4%	11.4%	13.4%	31.4%
Business e.g. farming, shops etc.	18.9%	24.1%	13.4%	11%	32.6%
Shares	36.7%	20.3%	10.2%	14.3%	18.5%
Rental houses	14.1%	26.7%	37.9%	11.3%	10%
Auto mobile(car, motorbike)	44.6%	21.0%	15.5%	11.1	7.8%

Source: Research data, (2016)

According to Table 4.17 above, 20.4% of the respondents indicated that they earn an extra income of below shillings 1,000 from land. 23.4% indicated that it is between shillings 1000 to 2,000, 11.4% between 2,001 to 3,000, 13.4% between 3,001 to 4,000, and 31.4% above shillings 4,000. The results also show 18.9%, 24.1%, 13.4% 11% and 32.6% indicated that they earn an extra income of below shillings 1,000, between shillings 1,000 to 2,000, between 2,001 to 3,000, between 3,001 to 4,000, and above shillings 4,000 respectively from business. The results also

show 36.7%, 20.3%, 10.2%, 14.3% and 18.5% % indicated that they earn an extra income of below shillings 1,000, between shillings 1,000 to 2,000, between 2,001 to 3,000, between 3,001 to 4,000, and above shillings 4,000 respectively from shares. The results also show 14.1%, 26.7%, 37.9%, 11.3% and 10% % indicated that they earn an extra income of below shillings 1,000, between shillings 1,000 to 2,000, between 2,001 to 3,000, between 3,001 to 4,000, and above shillings 4,000 respectively from rental houses. The results also show that 44.6%, 21.0%, 15.5%, 11.1% and 7.8% % indicated that they earn an extra income of below shillings 1,000, between shillings 1,000 to 2,000, between 2,001 to 3,000, between 3,001 to 4,000, and above shillings 4,000 respectively from auto mobiles.

The Table 4.17 shows that majority of the respondents earn above 4,000 per month from land and business, majority earn below 1,000 from shares and auto mobiles and majority earn between shillings 2,001 to 3,000 from rental buildings.

4.3.14 Unsecured Loan Contribution to the Household Financial Health

The respondents were given the following statements relating to unsecured personal loans contribution to their household financial health. On a 5-point Likert scale (Where: 1 - Strongly Disagree; 2 –Disagree; 3 – Neutral; 4 – Agree; 5 – Strongly Agree) they were asked to indicate by ticking one, the extent to which the expression was applicable to them. The results are shown in table 4.18 below.

Table 4. 18 Ratings of Unsecured Personal Loan Contribution to Household Financial Health

Relationship	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I can pay off my monthly unsecured personal loans obligation and remain with enough disposable income	38.5%	23.1%	12.8%	17.9%	7.7%
I am able to meet my monthly living expenses satisfactory after having taken unsecured personal loans	27.2%	26.2%	10.7%	27.2%	8.7%
I am forced to borrow advances during the month to pay for monthly living expenses	4.4%	14.9%	9.6%	38.6%	32.5%
I am satisfied with my monthly savings after having taken unsecured loans	36.9%	22.5%	12.6%	19.8%	8.1%

Source: Research data, (2016)

According to Table 4.18, 7.7% of respondents strongly agreed that they can pay off their monthly unsecured personal loans obligation and remain with enough disposable income, 17.9% agreed, 12.8% were neutral 23.1% disagreed while 38.5% strongly disagreed they can pay off their monthly unsecured personal loans obligation and remain with enough disposable income. When asked if they are able to meet their monthly living expenses satisfactory after having taken unsecured personal loans, 8.7% strongly agreed, 27.2% agreed, 10.7% were neutral 26.2% disagreed while 27.2% strongly disagreed that they are able to meet their monthly living expenses satisfactory after having taken unsecured personal loans. Asked if they are forced to borrow advances during the month to pay for monthly living expenses, 32.5% strongly agreed, 38.6% agreed, 9.6% were neutral 14.9% disagreed while 4.4% strongly disagreed they are forced to borrow advances during the month to pay for monthly living expenses. When asked if they are

satisfied with their monthly savings after having taken unsecured loans, 8.1% strongly agreed, 19.8% agreed, 12.6% were neutral 22.5% disagreed while 36.9% strongly disagreed that they are satisfied with their monthly savings after having taken unsecured loans.

The Table 4.18 above shows that majority of the respondents strongly disagree that they can pay off their unsecured personal loans obligation and remain with enough monthly disposable income, 27.2% and 38.6% of the participants agreed that they are able to meet their monthly living expenses satisfactory after having taken unsecured personal loans and they are forced to borrow advances during the month to pay for monthly living expenses respectively while 36.9% Strongly disagree that they are satisfied with their monthly savings after having taken unsecured loans.

The results established that primary school teachers in Emining Division cannot pay off their unsecured personal loans obligation and remain with enough monthly disposable income, they are forced to borrow advances during the month to pay for monthly living expenses and that they are not satisfied with their monthly savings after having taken unsecured loans.(Rio & Young, 2005) made a similar observation among British households that the main factors causing debt problems are the unsecured debt- income ratio, the level of financial wealth of households and that the increase in indebtedness of the young is the main factor accounting for greater tendency to report debt problems, which also concur with what Karasulu (2008) found in Korea. Household level analysis suggests that most of the increase in debt can be attributed to increased indebtedness of above - median - income.

4.3.15. The Value of the Monthly Expenses, Income and Savings in the Household.

Respondents were given the following information relating to the approximate value in shillings of the monthly expenses, income and savings in their household. On a 5-point Likert scale (Where: 1- **Below 2,000**; 2-**2,000-4,000**; 3-**4001-6000**; 4- **6001-8000**; 5-**Above 8,000**) they were asked to indicate by ticking one, the extent to which the expression was applicable to them. The results are shown in table 4.19 below.

Table 4. 19 The Value of the Monthly Expenses, Income and Savings in The Household

Expense/income/saving	Below 2000	2,000 to 4,000	to 4,001 to 6,000	to 6,001 to 8,000	to Above 8,000
Living expense	6%	5%	6%	10%	73%
Extra income from developments.	26.8%	17.8%	21.7%	12.9%	20.8%
Current unpaid expenses	17.5%	13.2%	4.4%	12.3%	52.6%
Savings	29.3%	21.1%	34.3%	4.2%	11.1%
Net income	20.1%	21.1%	11.2%	10.1%	37.5%

Source: Research data, (2016)

According to Table 4.19 above, 6% of the respondents indicated that they spent below shillings 2,000 on living expenses. 5% indicated that they spent between shillings 2,000 to 4,000, 6% between 4,001 to 6,000, 10% between 6,001 to 8,000, and 73% above shillings 8,000. The results also show 26.8%, 17.8%, 21.7% 12.9% and 20.8% indicated that they earn an extra income of below shillings 2,000, between shillings 2,000 to 4,000, between 4,001 to 6,000, between 6,001 to 8,000, and above shillings 8,000 respectively. The results also show 17.5%, 13.2%, 4.4%, 12.3% and 52.6% % indicated that they have current unpaid expenses of below shillings 2,000, between shillings 2,000 to 4,000, between 4,001 to 6,000, between 6,001 to 8,000, and above shillings 8,000 respectively. The results also show 29.3%, 21.1%, 34.3%, 4.2% and 11.1 % indicated that they save below shillings 2,000, between shillings 2,000 to 4,000, between 4,001 to 6,000, between 6,001 to 8,000, and above shillings 8,000 respectively. The results also show that 20.1%, 21.1%, 11.2%, 10.1% and 37.5% indicated that they earn a net income of below shillings 2,000, between shillings 2,000 to 4,000, between 4,001 to 6,000, between 6,001 to 8,000, and above shillings 8,000 respectively.

The results therefore show that primary school teachers in Eming Division spent above 8,000 shillings to meet their monthly living expense, get below 2,000 as extra income from developments, have above 8,000 current unpaid expenses, save between 4,001 to 6,000 and have a net income of above 8,000. These results concur with the findings of (Mueni & Kiiru, 2007) on

the Impact of microfinance on rural poor households' income and vulnerability to poverty: case study of Makueni district, Kenya, which concluded that there is a role of microfinance on the improvement of household incomes.

4.3.16. The Outstanding Amounts in the Unsecured Personal Loans.

The respondents were given the following information relating to the approximate value in shillings of the outstanding amounts of unsecured personal loans. On a 5-point Likert scale (Where: 1- **Below 50,000**; 2-**50,000-100,000**; 3-**100,001-150,000**; 4- **150,001-200,000**; 5- **Above 200,000**) they were asked to indicate by ticking one, the extent to which the expression is applicable to them. The results are shown in table 4.20 below.

Table 4. 20 The Outstanding Amounts in the Unsecured Personal Loans

Type of unsecured personal loan	Below 50,000	50,000 to 100,000	100,001 to 150,000	150,001 to 200,000	Above 200,000
School fees loans	38%	19.6%	12%	6.5%	23.9%
Emergency loans.	35.7%	48.8%	6.0%	6.0%	3.6%
Home improvement loans	37.5%	22.5%	11.3%	7.5%	21.3%
Development loans.	4.2%	4.2%	7.3%	8.3%	76%

Source: Research data, (2016)

According to Table 4.20 above, 38% of the respondents indicated that they have below shillings 50,000 outstanding school fees loans. 19.6% indicated that they owe 50,000 to 100,000, 12% between 100,001 to 150,000, 6.5% between 150,001 to 200,000, and 23.9% above shillings 200,000. The results also show 35.7%, 48.8%, 6.0% 6.0% and 3.6% indicated that they have outstanding emergency loans of below shillings 50,000, between shillings 50,000 to 100,000, between 100,001 to 150,000, between 150,001 to 200,000, and above shillings 200,000 respectively. The results also show 37.5%, 22.5%, 11.3%, 7.5% and 21.3% % indicated that they outstanding home improvement loans of below shillings 50,000, between shillings 50,000 to 100,000, between 100,001 to 150,000, between 150,001 to 200,000, and above shillings 200,000

respectively. The results also show 4.2%, 4.2%, 7.3%, 8.3% and 76 % indicated that they have outstanding development loans of below shillings 50,000, between shillings 50,000 to 100,000, between 100,001 to 150,000, between 150,001 to 200,000, and above shillings 200,000 respectively.

The results indicate that most primary school teachers in Emining Division have a large amount of outstanding unsecured personal with regard to developments followed by Emergency loans then school fees loans and home improvement loans. This means that primary school teachers borrow a lot of unsecured personal loans for development purposes. The results concur with Wencong (2013) who wrote a paper on micro-credit and poverty reduction: a case of Bangladesh and the major findings revealed that positive impact was found on income, assets endowment, standard of living and poverty reduction due to credit taken for development purposes.

4.4 Hypothesis Testing

This study set out to test hypotheses on four predictor variables; school fees loans, home improvement loans, emergency loans and development loans. The dependent variable was household financial health, measured in terms of liquidity ratio, debt ratio and savings ratio. In this case, Pearson's Moment Correlation Coefficient was used to study the relationship between these variables and household financial health at alpha level of $p < 0.05$. The results were as shown below.

Table 4. 21 Pearson Correlation Analysis and Two Tailed t Test of the Relationship Between School Fees Loans and Household Financial Health.

		School fees loans	Liquidity ratio	Debt ratio	Savings ratio
School Fees Loans	Pearson Correlation	1			
	Sig. (2-tailed)				
Liquidity Ratio	Pearson Correlation	-.803**	1		
	Sig. (2-tailed)	.000			
Debt Ratio	Pearson Correlation	.507**	.680**	1	
	Sig. (2-tailed)	.002	.000		
Savings ratio	Pearson Correlation	-.763**	.779**	.916**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	123	123	123	123

From the table, school fees loans and liquidity ratio is negatively correlated by -0.803. Nam & Elliot (2013) made a similar observation that outstanding student debt may jeopardize the short-run financial health of households. The table also shows that there is statistical significant relationship between school fees loans and liquidity ratio $P=0.000$ ($P<0.05$). School fees loans and debt ratio are positively correlated by 0.507. The table also show that there is statistical significant relationship between school fees loans and debt ratio $P= 0.002$ ($P <0.05$). School fees loans and savings ratio is negatively correlated by -0.763. The table also show that there is statistical significant relationship between school fees loans and savings ratio $P= 0.000$ ($P <0.05$). From these results, school fees loans affect the welfare of the primary teachers in Eming. The results of the study concur with Nangila (2013) that loans improve education level and clearance of existing debt.

Table 4. 22 Pearson Correlation Analysis and Two Tailed t Test of the Relationship Between Home Improvement Loans and Household Financial Health

		Home improvement loans	Liquidity ratio	Debt ratio	Savings ratio
Home improvement loans	Pearson Correlation	1			
	Sig. (2-tailed)				
Liquidity Ratio	Pearson Correlation	-.582**	1		
	Sig. (2-tailed)	.000			
Debt Ratio	Pearson Correlation	.672**	.680**	1	
	Sig. (2-tailed)	.000	.000		
Savings ratio	Pearson Correlation	.352**	.779**	.916**	1
	Sig. (2-tailed)	.000	.000	.000	
N		123	123	123	123

From the table, home improvement loans and liquidity ratio are negatively correlated by -0.582. The table also shows that there is statistical significant relationship between home improvement loans and liquidity ratio $P=0.000$ ($P<0.05$). Home improvement loans and debt ratio are positively correlated by 0.672. The table also show that there is statistical significant relationship between home improvement loans and debt ratio $P= 0.000$ ($P <0.05$). Home improvement loans and savings ratio are positively correlated by 0.351. The table also show that there is statistical significant relationship between home improvement loans and savings ratio $P= 0.000$ ($P <0.05$). When teachers access home improvement loan, their assets increases as well as development. Nangila (2013) made the same observation that it leads to improve total household consumptions and welfare. Similarly, Muayila (2012) concur with the study results that access to credit result in increasing economic welfare.

Table 4. 23 Pearson Correlation Analysis and Two Tailed T Test of the Relationship Between Emergency Loans and Household Financial Health

		Emergency loans	Liquidity ratio	Debt ratio	Savings ratio
Emergency loans	Pearson Correlation	1			
	Sig. (2-tailed)				
Liquidity Ratio	Pearson Correlation	-.552**	1		
	Sig. (2-tailed)	.000			
Debt Ratio	Pearson Correlation	.701**	.680**	1	
	Sig. (2-tailed)	.000	.000		
Savings ratio	Pearson Correlation	.482**	.779**	.916**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	123	123	123	123

From the table, emergency loans and liquidity ratio are negatively correlated by -0.552. The table also shows that there is statistical significant relationship between emergency loans and liquidity ratio $P=0.000$ ($P<0.05$). Del-río & Young (2005) made a similar observation among British households. Emergency loans and debt ratio are positively correlated by 0.701. The table also show that there is statistical significant relationship between emergency loans and debt ratio $P=0.000$ ($P <0.05$). Emergency loans and savings ratio are positively correlated by 0.482. The table also show that there is statistical significant relationship between emergency loans and savings ratio $P=0.000$ ($P <0.05$). Langat (2009) confirm study results that access to credit significantly impact on household welfare.

Table 4. 24 Pearson Correlation Analysis and Two Tailed t Test of the Relationship Between Development Loans and Household Financial Health

		Development loans	Liquidity ratio	Debt ratio	Savings ratio
Development loans	Pearson Correlation	1			
	Sig. (2-tailed)				
Liquidity Ratio	Pearson Correlation	-.602**	1		
	Sig. (2-tailed)	.000			
Debt Ratio	Pearson Correlation	.685**	.680**	1	
	Sig. (2-tailed)	.000	.000		
Savings ratio	Pearson Correlation	.409**	.779**	.916**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	123	123	123	123

From the table, development loans and liquidity ratio are negatively correlated by -0.602. The table also shows that there is statistical significant relationship between development loans and liquidity ratio $P=0.000$ ($P<0.05$). Development loans and debt ratio are positively correlated by 0.685. The table also show that there is statistical significant relationship between development loans and debt ratio $P= 0.000$ ($P <0.05$). Development loans and savings ratio are positively correlated by 0.409. The table also show that there is statistical significant relationship between development loans and savings ratio $P= 0.000$ ($P <0.05$). Quach et.al (2005) observed that credit has greater positive effects on the economical welfare.

Table 4. 25 Multiple Regression Analysis for Unsecured Personal Loans and Household Financial Health

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.821 ^a	.673	.630	.73087

a. Predictors: (Constant), School fees loans, Home improvement loans, Emergency loans, Development loans

Source: Research Data, (2016)

From table 4.25 above, coefficient correlation (R) was 0.821 ($r > 0.5$) which means there is a strong positive relationship between unsecured personal loans and house hold financial health of primary school teachers in Emining Division, Baringo County, Kenya. In addition, the coefficient of determination (R²) of 0.673 implies that house hold financial health is explained by 67.3% of the variations in unsecured personal loans.

Table 4. 26 ANOVA Test of the Relationship between Unsecured Personal Loans and Household Financial Health

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33.015	3	8.254	15.452	.000 ^b
	Residual	16.025	119	.534		
	Total	49.040	122			

a. Dependent Variable: Household Financial Health

b. Predictors: (Constant), school fees loans, Home improvement loans, Emergency loans, Development loans

Source: Research Data, (2016)

From table 4.26 above, the level of significance was $p = 0.000$ with an F value of 15.452. This indicates that there is statistical significant relationship between unsecured personal loans and household financial health because P value is less than 0.05.

Table 4. 27 Regression Coefficients of the Relationship between Unsecured Personal Loans and Household Financial Health

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	11.912	1.291		9.229	.000
School fees Loans	-1.028	.191	-.813	-5.392	.000
Home Improvement Loans	.090	.312	.097	.289	.775
Emergency Loans	-.147	.487	-.165	-.302	.765
Development loans	.052	.430	.075	.121	.904

a. Dependent Variable: Household financial Health

Table 4.27 shows the significance (p) values for each independent variable (unsecured personal loans). If $p < 0.05$, the conclusion is that the independent variable is a predictor of the dependent variable. In testing the relationship between unsecured personal loans and household financial health, significance value of (p) of 0.775, 0.765 and 0.904 which is more than 0.05 shows that home improvement, emergency and development loans does not have statistically significant effect on Household financial health.

Therefore the equation for the regression model can be given by;

$$\gamma = 11.912 - 1.028x_1 + 0.090x_2 - 0.147x_3 + 0.052x_4$$

Where

γ = Household financial health,

x_1 = School fees loans

x_2 = Home improvement loans,

x_3 = Emergency loans, and

x_4 = Development loans

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

The aim of the study was to establish the effect of unsecured personal loans on household financial health of primary school teachers in Emining Division, Baringo County, Kenya. The study was guided by four objective and the findings are summarized as below.

5.1.1 School Fees Loans and Household Financial Health

The first objective of the study was to evaluate the effects of school fees loans on household financial health of primary school teachers in Emining Division, Baringo County, Kenya. The study findings revealed that school fees loans generally enable the dependents of primary school teachers finish primary school and progress to secondary, enable them to finish secondary and progress to college and enable them finish college and find themselves employment. The results also showed that majority of the respondents indicated that dependents contribute nothing to the current household monthly income.

Hypothesis test showed that liquidity ratio and savings ratio are negatively correlated with school fees loans. However, debt ratio is positively correlated with school fees loans. The significant test revealed the statistically significant positive effect of school fees loans on liquidity, debt and savings ratio where $p= 0.000$, $p= 0.002$ and $p= 0.000$ respectively. The null hypothesis was thus rejected and it was concluded that school fees loans has statistically significant positive relationship with Household financial health.

5.1.2 Home Improvement Loans and Household Financial Health

The second objective of the study was to assess the effects of home improvement loans on household financial health of primary school teachers in Emining Division, Baringo County, Kenya. The study findings revealed that primary school teachers in Emining Division are neutral as to whether they are satisfied with the repair, renovation and improvement as a result of home improvement loans, generally their extension facility has improved and home improvement loans has enabled their household to have better furniture.

Hypothesis test showed the existence of a positive correlation between home improvement loans and debt ratio as well as savings ratio. However, home improvement loans and liquidity ratio are negatively correlated. The significant test revealed the statistically significant positive effect of home improvement loans on liquidity ratio, debt ratio and savings ratio where $p= 0.000$, $p=0.000$ and $p= 0.000$ respectively. The null hypothesis was thus rejected and it was concluded that home improvement loans has statistically significant positive relationship with Household financial health.

5.1.3. Emergency Loans and Household Financial Health

The third objective of the study was to examine the effects of emergency loans on household financial health of primary school teachers in Emining Division, Baringo County, Kenya. The results showed that generally, emergency loans have enable the household of primary school teachers in Emining Division to access better health care than before, emergency loans have enabled them to clear their names from bad credit record and to a large extent emergency loans have allowed them access top up .

Hypothesis test showed the existence of a positive correlation between emergency loans and debt ratio as well as savings ratio. However, emergency loans and liquidity ratio are negatively correlated. The significant test revealed the statistically significant effect of emergency loans on liquidity ratio, debt ratio and savings ratio where $p= 0.000$, $p=0.000$ and $p= 0.000$ respectively. The null hypothesis was thus rejected and it was concluded that emergency loans has statistically significant positive relationship with Household financial health.

5.1.4. Development Loans and Household Financial Health

The fourth objective of the study was to establish the effects of development loans on household financial health of primary school teachers in Emining Division, Baringo County, Kenya. The findings revealed that majority of the primary school teachers in Emining Division agreed that the level of their household land possession has improved, development loans have provided business, are satisfied with the investment in shares, development loans have enabled their household to own better rental houses than before, development loan have enabled their household to earn extra income each month and development loans have enable their household possess auto mobiles(car and motorbikes) respectively.

Hypothesis test showed the existence of a positive correlation between development loans and debt ratio as well as savings ratio. However, development loans and liquidity ratio are negatively correlated. The significant test revealed the statistically significant effect of development loans on liquidity ratio, debt ratio and savings ratio where $p= 0.000$, $p=0.000$ and $p= 0.000$ respectively. The null hypothesis was thus rejected and it was concluded that development loans has statistically significant positive relationship with household financial health.

5.1.5 Overall Effects of Unsecured Personal Loans on Household Financial Health

The study findings showed that primary school teachers in Emining Division cannot pay off their unsecured personal loans obligation and remain with enough monthly disposable income, they are forced to borrow advances during the month to pay for monthly living expenses and that they are not satisfied with their monthly savings after having taken unsecured loans

Finally the findings of the study revealed that there is a strong positive relationship between unsecured personal loans and household financial health of primary school teachers in Emining Division, Baringo County, Kenya with a correlation coefficient value (R) of 0.821. Significance level between unsecured personal loans and household financial health was $P=0.000$ which indicates that there is statistical significant relationship between unsecured personal loans and household financial health. Therefore this leads rejection of the null hypothesis which states that there is no statistical significant relationship between unsecured personal loans and household financial health of primary school teachers in Emining Division, Baringo County, Kenya.

5.2 Conclusions

The aim of this study was to establish the effects of unsecured personal loans on household financial health of primary school teachers in Emining division, Baringo County, Kenya. Unsecured personal loans were studied in terms of school fees loans, home improvement loans, Emergency loans and development loans. The study was guided by four objectives. Based on results from data analysis and findings in relation to the study objectives the following conclusions were made.

First, school fees loans have a statistically significant positive effect on house hold financial health (debt ratio) and negative effect on liquidity ratio and savings ratio. Second, home

improvement loans have a statistically significant positive relationship with all household financial health measures except liquidity. Thus, primary school teachers who borrow home improvement loans experience significant improvement in their household financial health. Third, emergency loans have a statistically significant positive relationship with all household financial health measures except liquidity. This implies that primary school teachers who borrow emergency loans experience significant improvement in their household financial health. Fourthly, development loans have a positive relationship with all household financial health measures that was statistically significant except liquidity. Therefore, it was concluded that unsecured personal loans have a statistically significant positive relationship with household financial health.

The overall conclusion for this study was that unsecured personal loans positively affect household financial health. The study has also provided insight into the negative effects of unsecured personal loans on liquidity as a measure of household financial health.

5.3 Recommendations

The findings of this study reveal that unsecured personal loans lead to better household financial health of primary school teachers in Emining Division, Baringo County, Kenya. The study contributes to the literature about household financial health in a number of ways. Firstly, more insight has been obtained in the effects of unsecured personal loans on household financial health. Secondly, primary school teachers need to realize that unsecured personal loans negatively affect their liquidity and savings pattern. Thus teachers should rethink their borrowing patterns so as to remain liquid and save more for the future and also avoid the likelihood of going into debt problems. The study thus recommends that the government should initiate monetary policies that will contribute to the lowering of the base lending rate to enhance accessibility to unsecured personal loans and to allow teachers pay their loans obligations and remain with enough money to meet their day to day expenses and save for the future. Finally, considering the influence of the unsecured personal loans on household financial health, primary school teachers in Emining Division should be aware of the direct impact of these variables, especially the role of development loans.

5.4 Suggestions for Further Studies

Future research should also be carried out in private primary schools. Other sectors of the economy can also be studied to establish the relationship between unsecured personal loans and employees household financial health. Lastly a similar study should also be conducted focusing on people who are self-employed.

REFERENCES

- Agency, B. (1997). *Examination Manual for U . S . Branches and Agencies of Foreign Banking Organizations*.
- Asebedo, S., Mccoy, M. A., & Archuleta, K. L. (2013). *2013 Membership Profile of the Financial Therapy Association : A Strategic Planning Report* (Vol. 4).
- Baek, E., & DeVaney, S. (2004). Assessing the Baby Boomers' Financial Wellness Using Financial Ratios and a Subjective Measure. *Family and Consumer Sciences Research Journal*, 32, 321–348.
- Bhutta. (2012). Payday Credit Access and Household Financial Health : Evidence from Consumer Credit Records. *Journal of Banking and Finance*, (June).
- Brennan, G. (2007). consumer Over-Indebtedness. A Review of the Quality Money Advance Services in Scotland. *International Journal of Consumer Studies*.
- CBK. A Consumer Guide to Banking in Kenya (2013).
- CBK. (2015). *Central Bank of Kenya Prudential Guidelines for Institutions Licensed Under the Banking Act*.
- CFC. (2014). Types of Loans. Retrieved January 14, 2015, from <https://www.stanbicbank.co.ke/standing/Kenya/loans/unsecured>
- Churchill, & Iacobucci. (2002). *Marketing Research: Methodological Foundations*. Thomas Learning.
- Conzo, B. (2013). Credit Access and Life Satisfaction; evaluating the non Monetary Effects of Micro Finance. *Journal of Banking and Finance*.
- Del-río, A., & Young, G. (2005). The impact of unsecured debt on financial distress among British households.
- Dowling, N. A., Corney, T., & Hoiles, L. (2009). Financial Management Practices and Money Attitudes as Determinants of Financial Problems and Dissatisfaction in Young Male Australian Workers. *Journal of Banking and Finance*.
- Drentea, P., & Lavrakas, P. . (2000). Over the Limit: The Association Among Health,Race and Debt. *Journal of Social Science and Medicine*, (50), 517– 529.
- Elliott, W., & Nam, I. (2013). Is Student Debt Jeopardizing the Short- Term Financial Health os U.S Households? *Journal of Economic Perspectives*, 5(14).

- Faragui U. (2008). Indebtedness and the Household Financial Health : An Examination of the Canadian Debt Service Ratio Distribution. *Journal of Economic Perspectives*, (46).
- Friedman. (1957). *The Permanent Income Hypothesis* (Vol. I). Princeton University Press.
- Garret, S., & James, R. (2013). Financial Ratios and Percived Household satisfaction. *Journal of Financial Theraphy*, 4(1).
- Gay. (1992). *Educational Research: Competencies for analysis and application* (4th ed.). New York: Macmillan Publishing Company.
- Guide, K. C. (2017). Republic of Kenya, Baringo County Government Annual Development Plan County Treasury and Economic Planning, (August 2015).
- Gutman, Garon, H. & S. (2014). Understanding and Improving Consumer Financial Health in America. *Center for Financial Services Innovation*, (II), 23–34.
- Hudson. (2009). Should Access to Credit be a Right? *Journal of Business Ethics*.
<http://doi.org/10.1007/978-3-319-62111-1>
- Irving, F. (1930). The Theory of Interest, as Determined by Impatienceto Spend Income and opportunity to Invest it.
- Karasulu, M. (2008). *Stress Testing Household Debt in Korea*.
- KCB. (2014). Types of loans. Retrieved January 14, 2015, from
<http://www.kcbbankgroup.com/personalbanking/borrowing/personalloans/detail/unsecured-check-off-loan>
- KCB. (2016). *Sustainability Report*.
- Kenya Bankers Association. Credit Reference Bureau Data Standard Manual (2008).
- Kothari, C. (2008). *Research Methodology Methods and Techniques* (Second Rev). New Delhi: New Age International Limited.
- Langat, J. K., Mutai, B. K., Maina, M. C., & Bett, H. K. (2009). Effect of Credit on Household Welfare : The Case of “ Village Bank ” Credit in Bomet County , Kenya. *Asian Journal of Agricultural Sciences*, 3(2041-3890), 162–170.
- Lyons, A., & Yilmazer, T. (2005). Health and Financial Strain: Evidence from the Survey of Consumer Finances. *Southern Economic Journal*, 3.
- Modigliani, F. and B. (1954). Utility analysis and the Consumption Function. An Interpretation of Cross- Section Data, (March).

- Muayila, K. (2012). Assessing the Impact of Credit Constraints on Farm Household Economic Welfare in the Hinterland of Kinsasha, Democratic Republic of Congo. *African Journal of Food, Agriculture, Nutrition & Development*, 12(1684 5374), 6095–6109.
- Mueni, J., & Kiiru, M. (2007). The Impact of Microfinance on Rural Poor Household's Income and Vulnerability to Poverty: Case Study of Makueni District, Kenya.
- Mugenda, O., & Mugenda, A. (2003). *Research Methods: Quantitative and Qualitative Approaches*. Nairobi: Acts Press.
- Nangila, L. O. (2013). *The Effects of Unsecured Personal Loans on Household Welfare of Secondary School Teachers in Bungoma County, Kenya. A Research Project Presented in Partial Fulfilment of the Requirements for the award of the Master Degree in Business Administration (MBA*.
- Neill, B. O., Prawitz, A. D., Sorhaindo, B., Kim, J., & Garman, E. T. (2006). Changes in Health , Negative Financial Events , and Financial Distress / Financial Well-Being for Debt Management Program Clients, (407), 46–63.
- Omwange, A. (2012). *The Relationship Between Microfinance Loans and Household Welfare in Bungoma County Project Submitted in Partial Fulfilment of the Requirements for the Award of the Master Degree in Business Administration (MBA)*.
- Orodho, A. (2009). Elements of Education and Social Sciences. In *Research Methods* (pp. 35–41). <http://doi.org/10.9790/0837-20453541>
- PWC. (2007). UK Retail Banking Insights, (November).
- Quach, M. and M. (2005). Access of credit and household poverty reduction in rural Vietnam. *Journal of Banking and Finance*, (October), 28–29.
- Rom, R. (2013). The Impact of Unsecured Lending on the Financial Wellbeing of Consumers. *Journal of Economic Perspectives*.
- Rosenzweig, R. (2009). *A policy framework for addressing inequality in developing countries*.
- Sam, J., & Wright, C. (2000). *Research: Concepts, Designs and Methods*. Oxford: Oxford University Press.
- Shofi, M., Mazumder, U., & Wencong, L. (2013). Micro- Credit and Poverty Reduction : A Case of Bangladesh. *International Journal of Multidisciplinary Research Na Information*, 403–417. <http://doi.org/10.18267/j.pep.459>
- Steed. (2011). Personal Finance: Another Perspective,. In *Budgeting and Measuring your financial Health*. Brigham Young University.

- Thompson and Gicheva. (2013). The Effects of Student Loans on Long- Term Household Financial Stability.
- Tilakaratna, G. (2006). Income Security for Older Persons in Sri Lanka.
- Wanjiku, M. (2013). Effects of Unsecured Commercial Bank Loans on Services Offered by Saccos with Fosas in Kenya :A Management Research Project Submitted in Partial Fulfillment of the Requirements for the Award of the Degree of Business management, University of Nairobi, (August).
- WHO. (1997). *The World Health Report*.
- Woodyard, A., & Ph, D. (2013). Measuring Financial Wellness. *Journal of Economic Perspectives*, 59, 1–6.
- World Bank. (2013). *Rethinking the Role of the State in Finance*.
- Xiao, H., & Gene, A. R. (2008). *Handbook of Consumer Finance Research*. Springer.
<http://doi.org/10.1126/science.1153040>
- Yamane. (1967). Determining Sample Size 1. *Journal of Banking and Finance*, (November), 1–5.
- Yunus, M. (2001). *Banker to the Poor*.

APPENDICES

APPENDIX 1: Letter of Introduction

The Respondent,

Re: Request for Research Data

I am a Postgraduate student at the Egerton University pursuing a Master of Business Administration (MBA), Finance option. My research project topic is

“Effects of Unsecured Personal Loans on Household Financial Health of Primary School Teachers in Emining Division, Baringo County”

The purpose of the research is to assess the Effects of Unsecured Personal Loans on Household Financial Health of Primary School Teachers in Emining Division, Baringo County, Kenya. The attached questionnaire has been designed to help the researcher gather data from the respondent with respect to this purpose. You have been identified as one of the respondents. Kindly facilitate the data collection necessary by answering the questions precisely and accurately as possible. The information sought is purely for academic purposes.

Yours Truly,

Florence Bett

APPENDIX 2: Public Primary Schools in Emining Division, Baringo County, Kenya.

1. Aram Primary School
2. Borokwo Primary School
3. Chemoinoi Primary School
4. Chemutung Primary School
5. Chepyorgin Primary School
6. Embogong Primary School
7. Emining Primary School
8. Kabarbesi Primary School
9. Kabogor Primary School
10. Kapcheluguny Primary School
11. Kaplelwo Primary School
12. Kimose Primary School
13. Kipchobet Primary School
14. Koitebes Primary School
15. Kures Primary School
16. Lelen Primary School
17. Lombala Primary School
18. Matebei Primary School
19. Molok Primary School
20. Mutaran Primary School
21. Nato Primary School
22. Oterit Primary School
23. Radad Primary School
24. Rosoga Primary School
25. Sorti Primary School
26. Letoi Primary School
27. Sosion Primary School
28. Chepkokon Primary School
29. Ebenezer Primary School
30. Kwirindoche Primary School
31. Bikwen Gobat Primary School
32. Kamalanget Primary School
33. Kiskisprimaryschool

APPENDIX 3: Research Budget

Proposal Writing and Presentation	Description/Unit Cost	Sub-Total	Total (Sh.)
64 Purchase of Stationery 5 reams of paper	@500	2,500	
Stationery	1000	1000	
1 ream of foolscaps	@350	350	
Typing & Printing (6 copies)	50 pages @ 10 per page	3,000	
Binding (6 copies)	@ 50 per copy	300	
Internet/Libraries/Telephone		<u>5,000</u>	12,150
Data Collection			
Photocopying of 170 Questionnaires	8 pages @ 3 per page	4,080	
Travelling and Subsistence		20,000	
Distribution of Questionnaires		<u>5,000</u>	29,080
Data Analysis			
Data entry and analysis		15,000	15,000
Project Writing			
Typing and printing (6copies)			
Binding of Project (6copies)			
Publishing of research project	70 pages @ 10	4,200	
	@ 50	300	
		<u>15,000</u>	19,500
GRAND TOTAL			<u>Ksh.75,730</u>

Sources of Funds: Self-Financed By the Researcher

APPENDIX 4: Research Questionnaire

PART A: Respondent's profile

1. Name of your school (OPTIONAL).....
2. Gender
Male () female ()
3. Age
 - a. 18-30 years ()
 - b. 31- 40 years ()
 - c. 41-50 years ()
 - d. Above 50 years ()
4. How long have you worked with the TSC
 - 2-5 years ()
 - 6-10 years ()
 - Above 10 years ()

PART B: Nature of Unsecured Personal Loans Offered by Financial Institutions

5. Have you ever taken unsecured personal loans?
Yes () No ()
6. If yes, where did you access the unsecured personal loan?
Commercial Bank ()
SACCO ()
Micro finance Co. ()
7. For what purpose did you take unsecured personal loan?
Education ()
Home improvement ()
To provide Development ()
To pay Emergency bills ()
8. Have you done multiple borrowing?
Yes () No ()

PART C: Unsecured Personal Loans Effects on Household Financial Health

9. How many dependents are there in your house hold?

Below 3 ()

4-6 ()

7-9 ()

Above 9 ()

10. The following statements relate to school fees loans. On a 5-point Likert scale (Where: 5 - Strongly Agree; 4 –Agree; 3 – Neutral; 2 – Disagree; 1 – Strongly Disagree) indicate by ticking one, the extent to which the expression is applicable to you.

No	Relationship	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	School fees loans have enabled my dependents finish primary school and progress to secondary school					
2	My dependents have finished secondary school as a result of school fees loans and progress to college and university.					
3.	I am satisfied that school fees loans have enabled my dependents finish college and university studies and get themselves employment					

11. The following information relate to number of dependents educated with school fees loans. On a 5-point Likert scale (Where: 1- **None**; 2-**1 to 3**; 3-**4 to 6**; 4-7 to 9; 5 – **Above 6**) indicate by ticking one, the extent to which the expression is applicable to you.

Level of education	None	1 to3	4 to 6	7 to 9	Above 9
Primary school					
Secondary school					
College (short courses, driving school, technical training)					
Under Graduate					
Post Graduate					

12. Have they completed their education?

Yes ()

No ()

13. The following information relates your dependents contribution to your current household monthly income. On a 5-point Likert scale (Where: 1- **None**; 2-**1 to 3**; 3-**4 to 6**; 4-**7 to 9**; 5- **Above 9**) indicate by ticking one, the extent to which the expression is applicable to you.

Amount of contribution in shillings	None	1 to 3	4 to 6	7 to 9	Above 9
None					
500- 2,000					
2,001- 3,500					
3,501-5,000					
Above 5,000					

14. The following statements relate to home improvement loans. On a 5-point Likert scale (Where: 5 - Strongly Agree; 4 –Agree; 3 – Neutral; 2 – Disagree; 1 – Strongly Disagree) indicate by ticking one, the extent to which the expression is applicable to you.

No	Relationship	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I am satisfied with the repairs, renovations and improvements I have done with the home improvement loans					
2	My home extension facility as a result of home improvement loan has improved.					
3.	Home improvement loans has enabled my household have better furniture, fittings and fixtures than before.					

15. The following information relate to approximate market value in shillings of your home improvement. On a 5-point Likert scale (Where: 1- **Below 10,000**; 2-**10,001-20,000**; 3–**20,001-30,000**; 4- **30,001- 40,000**; 5- **Above 40,000**) indicate by ticking one, the extent to which the expression is applicable to you.

Type of home improvement	Below 10,000	10,001-20,000	20,001-30,000	30,001-40,000	Above 40,000
Repairs and renovations					
Extension of home					
Furniture, fittings and fixtures					

16. The following statements relate to emergency loans. On a 5-point Likert scale (Where: 5 - Strongly Agree; 4 –Agree; 3 – Neutral; 2 – Disagree; 1 – Strongly Disagree) indicate by ticking one, the extent to which the expression is applicable to you.

No	Relationship	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Emergency loans have enabled my household access better health care facilities than before					
2	Emergency loans have enabled me to clear my name from bad credit records.					
3.	Am satisfied that emergency loans have allowed me accessed top up loans.					

17. The following information relate to approximate market value in shillings of your emergency loans. On a 5-point Likert scale (Where: 1- **Below 10,000**; 2-**10,001-20,000**; 3– **20,001-30,000**; 4- **30,001- 40,000**; 5- **Above 40,000**) indicate by ticking one, the extent to which the expression is applicable to you.

Type of emergency	Below 10,000	10,001-20,000	20,001-30,000	30,001-40,000	Above 40,000
Medical					
Clearing bad credit					
Top up					

18. The following statements relate to development loans. On a 5-point Likert scale (Where: 5 - Strongly Agree; 4 - Agree; 3 - Neutral; 2 - Disagree; 1 - Strongly Disagree) indicate by ticking one, the extent to which the expression is applicable to you.

No	Relationship	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	The level of my household land possession has improved as a result of development loans.					
2	Development loans have provided business (eg farming, opening shops) startup capitals.					
3.	I am satisfied with the investment in shares I have as a result of development loans.					
4	Development loans have enabled my household own better rental houses than before					
5	Development loans enable my household to earn extra income each month.					
6	Development loans have enabled my household possess auto mobiles(car, motorbikes)					

19. The following information relate to approximate value in shillings of your developments as a result of unsecured personal loans. On a 5-point Likert scale (1- **Below 20,000**; 2-**20,001-40,000**; 3- **40,001-60,000**; 4- **60,001- 80,000**; 5- **Above 80,000**) indicate by ticking one, the extent to which the expression is applicable to you.

Type of development	Below 20,000	20,001 to 40,000	40,001 to 60,000	60, 001 to 80,000	Above 8,000
Land					
Business e.g farming, shops etc					
Shares					
Rental Buildings					
Auto mobile(car, motorbike)					

20. The following information relate to approximate value in shillings of extra income earned per month from developments as a result of development loans taken. On a 5-point Likert scale (Where: 1- **Below 1,000**; 2-**1,000-2,000**; 3-**2001-3000**; 4-**3,001- 4000**; 5**Above 4,000**) indicate by ticking one, the extent to which the expression is applicable to you.

Type of development	Below 1,000	1,000- 2,000	2,001- 3,000	3,001- 4000	Above 4,000
Land					
Business e.g farming, shops					
Shares					
Buildings					
Auto mobile(car, motorbike)					

21. The following statements relate to unsecured personal loans. On a 5-point Likert scale (Where: 5 - Strongly Agree; 4 –Agree; 3 – Neutral; 2 – Disagree; 1 – Strongly Disagree) indicate by ticking one, the extent to which the expression is applicable to you.

No	Relationship	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I can pay off my unsecured personal loans obligations and remain with enough monthly disposable income.					
2	I am able to meet my monthly living expenses satisfactorily after having taken unsecured personal loans					
3.	I am forced to borrow advances during the month to pay for my monthly living expenses					
4	I am satisfied with my monthly savings after having taken unsecured loans.					

22. The following information relate to the approximate value in shillings of the monthly expenses, income and savings in your household. On a 5-point Likert scale (Where: 1- **Below 2,000**; 2-**2,000-4,000**; 3-**4001-6000**; 4- **6001-8000**; 5-**Above 8,000**) indicate by ticking one, the extent to which the expression is applicable to you.

Expense/ income/saving	Below 2,000	2,000- 4,000	4,001- 6,000	6,001- 8,000	Above 8000
Living expenses					
Extra income from developments					
Current unpaid expenses					
Savings					
Net income					

23. The following information relate to the approximate value in shillings of the outstanding amounts of unsecured personal loans. On a 5-point Likert scale (Where: 1- **Below 50,000**; 2- **50,000-100,000**; 3-**100,001-150,000**; 4- **150,001-200,000**; 5- **Above 200,000**) indicate by ticking one, the extent to which the expression is applicable to you.

Type of unsecured personal loan	Below 50,000	50,000- 100,000	100,001- 150,000	150,001- 200,000	Above 200,000
School fees loans					
Emergency loans					
Home improvement loans					
Development loans					