

**INFLUENCE OF FINANCIAL LITERACY PROGRAMS ON STUDENT LOAN
MANAGEMENT IN UNIVERSITIES: CASE OF MOUNT KENYA
UNIVERSITY**

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DECLARATION AND APPROVAL

Declaration by the student

This project is my original work and has not been presented for any award in this or any other university.

Signature.......... Date:..... 25/03/2025.....

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Approval by the Supervisors

The work stated in this project was done by the applicant while under my supervision, and I thus attest to this fact.

Signature.......... Date:.....25/03/2025.....

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DEDICATION

This project is dedicated to my father Bildad, to my mother Cecilia.



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First and foremost, I thank God Almighty for His guidance, strength, and grace throughout this research journey. Without His divine inspiration and provision, this work would not have been possible.

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ABSTRACT

Effective student loan management is a critical factor in ensuring financial stability among university students. This study aimed to assess the Influence of financial literacy programs on student loan management at Mount Kenya University. The specific objectives included evaluating the influence of understanding interest rates and loan repayment terms, the effect of budgeting and financial planning skills, and the role of awareness and utilization of loan repayment options on loan management practices. The study was significant as it provided valuable insights for policymakers, university administrators, and financial bodies such as the Higher Education Loans Board (HELB) on designing effective financial literacy interventions. Grounded in the Theory of Planned Behavior and Human Capital Theory, the study adopted a descriptive survey research design. The research was conducted at Mount Kenya University, targeting a population of 40,200 HELB-supported students and 56 finance staff members. A stratified random sampling method was used to determine a sample size of 436 participants, ensuring comprehensive representation across the university's campuses. Data collection tools included semi-structured questionnaires for students and interview guides for finance staff, supplemented by institutional records. Pilot testing of instruments ensured validity and reliability, with Cronbach's alpha used to confirm internal consistency. Data analysis was performed using descriptive and inferential statistics via SPSS version 23.0, employing techniques such as Pearson correlation and regression analysis to determine relationships among variables. The study assessed the influence of financial literacy on student loan management, focusing on understanding interest rates and repayment terms, budgeting and financial planning skills, and awareness of loan repayment options. The findings revealed that many students lacked knowledge of interest accrual, repayment conditions, and penalties, leading to financial mismanagement and higher debt burdens. However, students with better financial literacy demonstrated responsible loan management. Similarly, budgeting and financial planning skills were found to be critical in ensuring timely repayments, while poor financial habits led to financial strain and loan default. Additionally, limited awareness of repayment options restricted students from utilizing flexible plans that could ease their financial burden. The study concluded that financial literacy significantly impacts student loan management, with well-informed students managing loans more effectively. Budgeting and financial planning skills also play a crucial role in preventing loan default, while lack of awareness of repayment options exacerbates financial difficulties. The study recommended that universities and financial institutions introduce mandatory financial literacy programs and integrate budgeting courses into curricula. Student loan providers should enhance awareness campaigns on repayment options, while universities should establish financial advisory offices. Further research should explore the effectiveness of financial literacy programs, compare loan repayment practices across institutions, and examine the role of employment in loan repayment.

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LIST OF ABBREVIATIONS AND ACRONYMS

ANOVA	:	Analysis of Variance
ERC	:	Ethics Review Committee
FINRA	:	Financial Industry Regulatory Authority
JKUAT	:	Jomo Kenyatta University of Agriculture and Technology
MBA	:	Master of Business Administration
MKU	:	Mount Kenya University
NACOSTI	:	National Commission for Science, Technology, and Innovation
NSFAS	:	National Student Financial Aid Scheme
ODEL	:	Open, Distance, and E-Learning
OLS	:	Ordinary Least Squares
SPSS	:	Statistical Package for the Social Sciences
TPB	:	Theory of Planned Behavior
USIU	:	United States International University-Africa

CHAPTER ONE

INTRODUCTION

This chapter presents the background of the study, an overview of marketing strategies, statement of the problem, the objectives of the research (broad and specific objectives), significant of the study, limitation of the study and the scope of the study.

1.1 Background of the Study

Countries worldwide have increasingly prioritized financial literacy initiatives to address the complexities of student loan management. In the United States, student debt levels have reached unprecedented heights, with the outstanding loan balance exceeding \$1.7 trillion in 2022 (Federal Reserve, 2022). Recognizing the need for financial preparedness, U.S. universities and policymakers have introduced financial literacy programs targeting college students. Research by Montalto et al. (2019) demonstrated that students who participated in financial literacy training showed greater competence in understanding loan terms, budgeting, and repayment strategies. Furthermore, these programs were associated with lower delinquency rates and better loan management practices, emphasizing the need for structured financial education at the university level. In Australia, student debt has also become a significant financial burden for many young adults, though the country's income-contingent loan system differs from the U.S. model. Financial literacy programs in Australian universities focus on understanding repayment options and debt management skills (Eitel & Martin, 2020). Studies have shown that students with high financial literacy are better equipped to navigate income-based repayment models, thereby reducing default rates and improving overall loan management (Worthington, 2021). The Australian experience highlights the importance of tailored financial education that aligns with specific loan systems, illustrating a strong connection between financial literacy and effective loan repayment.

African countries are also beginning to recognize the importance of financial literacy in managing student debt, albeit with unique challenges compared to developed nations. In South Africa, student debt is a pressing issue, with student loan debt surpassing 16 billion rand by 2023 (National Student Financial Aid Scheme [NSFAS], 2023). Financial literacy initiatives in South African universities, such as the NSFAS financial awareness campaigns, have attempted to address the knowledge gap in financial management among students (Hendricks & Nell, 2018). Evidence suggests that these programs improve students' understanding of loan terms and repayment options, enabling them to make better financial decisions (Zulu, 2020). However, limited program reach and resource constraints hinder the scalability of these efforts, underscoring the need for government and institutional support.

Nigeria, facing a high youth unemployment rate, has also encountered challenges in managing student debt effectively. Financial literacy programs in Nigerian universities focus on budgeting, saving, and understanding debt obligations. According to Adesina and Ekundayo (2019), Nigerian students who participated in financial literacy training exhibited a better grasp of repayment obligations and demonstrated more responsible loan management behavior. However, despite these programs, high unemployment rates and limited job opportunities make it difficult for graduates to meet repayment schedules, thus requiring a multidimensional approach that combines financial education with economic policy interventions.

In Kenya, student loan debt is a growing concern, particularly among recent graduates struggling to meet repayment obligations. The Higher Education Loans Board (HELB) has noted a substantial rise in loan defaults, with over 40% of beneficiaries failing to meet their repayment commitments in 2022 (HELB, 2022). Recognizing the critical role of financial literacy, Kenyan universities have begun implementing financial education

programs aimed at enhancing students' understanding of loan terms and budgeting skills (Mwangi & Kihui, 2018). Studies indicate that students who participate in these programs demonstrate improved financial management capabilities, reducing their likelihood of default (Githinji, 2020). Nevertheless, a gap remains in the availability and accessibility of these programs, particularly in rural areas, suggesting a need for more widespread implementation.

Furthermore, in Kenyan universities, financial literacy programs have also been tailored to address cultural and socio-economic factors unique to the region. For instance, rural students may lack foundational financial knowledge compared to their urban counterparts, requiring targeted interventions to bridge this gap (Ndichu & Wambui, 2019). This disparity underscores the necessity of culturally sensitive financial literacy initiatives that cater to Kenya's diverse student population. As the country faces high youth unemployment, integrating financial education with practical skills for job readiness may provide students with a more comprehensive toolkit for financial independence and loan management post-graduation.

In sum, financial literacy programs have a significant impact on university students' ability to manage student loans effectively, with evidence supporting their role in reducing loan defaults and fostering financial responsibility. The Kenyan experience demonstrates the importance of tailored, culturally relevant programs that align with the specific socio-economic realities of students. Understanding these regional differences can guide policymakers and educational institutions in designing more effective financial literacy initiatives to alleviate student debt burdens globally.

1.2 Problem Statement

Student loan debt has emerged as a significant financial burden for university graduates worldwide, affecting their financial stability and ability to achieve long-term economic goals (Federal Reserve, 2022). Student loan debt has become a substantial financial burden for university students and recent graduates in Kenya, exacerbated by a significant rise in loan disbursement rates. The Higher Education Loans Board (HELB) has seen the amount of loans disbursed to Kenyan students increase from KSh 30 billion in 2012 to KSh 94.2 billion in 2021, more than tripling over a nine-year period (HELB, 2022). This dramatic growth indicates an escalating dependence on loans for higher education financing, placing a heavy financial obligation on young Kenyans as they enter the workforce. Unfortunately, the rising debt burden is coupled with high loan default rates, partly attributed to limited financial literacy, which hampers students' ability to manage their loan repayments effectively (Mwangi & Kihiu, 2018).

Despite the implementation of financial literacy programs, there is limited empirical evidence regarding their effectiveness in enhancing student loan management at Mount Kenya University. Research suggests that financial education can positively influence loan management skills, such as budgeting, understanding loan terms, and planning for repayment (Githinji, 2020; Ndichu & Wambui, 2019). However, many of these programs are generalized, failing to specifically address the unique needs of students reliant on loans for tuition. Consequently, a substantial portion of students continues to face challenges in meeting their repayment obligations, raising concerns about the sufficiency of existing financial literacy efforts in fostering effective loan management (Zulu, 2020). Mount Kenya University, one of Kenya's leading private institutions, has recognized the importance of financial literacy programs to address this gap. However, the extent to which these programs equip students with the necessary skills for responsible loan

management remains unclear. Given the significant increase in student debt, as illustrated by the HELB loan disbursement figures, it is crucial to examine the Influence of these financial literacy programs on students' loan management abilities. A study on this topic would provide valuable insights into the effectiveness of financial literacy initiatives, potentially informing improvements in program design to help reduce loan default rates and promote sound financial behavior among university students in Kenya.

1.3 Purpose of the Study

The purpose of this study was to examine the Influence of financial literacy programs on student loan management among university students at Mount Kenya University.

1.3.1 Specific Objectives of the Study

The study was based on the following objectives;

- i. To assess the influence of understanding of interest rates and loan repayment terms on effective student loan management in universities.
- ii. To examine the effect of budgeting and financial planning skills on the management of student loan repayment in universities.
- iii. To determine the Influence of awareness and utilization of various loan repayment options on loan management practices in universities.

1.4 Research Questions

The study was guided by the following research questions:

- i. How does understanding interest rates and loan repayment terms influence effective student loan management among university students?
- ii. What is the effect of budgeting and financial planning skills on the management of student loan repayment among university students?

- iii. How does awareness and utilization of different loan repayment options impact loan management practices among university students?

1.5 Significance of the Study

The significance of this study lies in its potential to contribute valuable insights into the effectiveness of financial literacy programs on student loan management at Mount Kenya University. As student loan debt continues to rise, understanding whether financial literacy programs improve students' loan management skills can help educational institutions design more impactful interventions. This knowledge is crucial for reducing default rates and ensuring students graduate with a better grasp of financial responsibilities.

Moreover, the study has implications for policymakers, particularly those involved with the Higher Education Loans Board (HELB) and other student financing bodies in Kenya. By identifying the specific financial skills that enhance loan management, this research can guide policy adjustments that make financial literacy a core component of student loan disbursement and management. Such policies may promote sustainable financial practices among students and, ultimately, a healthier loan repayment culture.

The findings also benefitted students by highlighting essential financial skills that improve their ability to manage debt. Increased financial literacy can alleviate the financial stress associated with loan repayment, empowering students to make informed decisions about borrowing and managing their finances post-graduation. This empowerment not only enhances individual financial well-being but also contributes to economic stability within the larger society by fostering a financially responsible graduate population.

For academicians and the literature at large, this study provides a foundation for further research on financial literacy and its effects on student loan management within developing countries. While much of the existing literature focuses on developed nations, there is limited research on how financial literacy programs impact loan management in Kenya and other African contexts. This study fills this gap by offering empirical evidence specific to Mount Kenya University, potentially serving as a reference for future studies exploring similar issues in other institutions and regions.

Additionally, the findings contribute to the academic discourse on financial education by identifying specific competencies within financial literacy that most significantly impact loan management. These insights can enrich theoretical frameworks on financial behavior and financial education, supporting the development of more targeted and effective financial literacy curricula. By advancing knowledge in this field, the study lays the groundwork for a deeper understanding of financial literacy's role in shaping responsible financial practices among university students.

1.6 Scope of the Study

The scope of this study was limited to examining the impact of financial literacy programs on student loan management among students at Mount Kenya University. Specifically, it focused on understanding how knowledge of interest rates and loan terms, budgeting and financial planning skills, and awareness of repayment options influenced effective loan management. The study employed a descriptive research design to gather detailed insights into students' financial behaviors and attitudes towards loan repayment. The study was conducted between November and June, aiming to provide a comprehensive analysis within this period to inform university- and policy-level interventions in student financial literacy programs.

1.7 Limitation of the study

One limitation of this study was the reliance on self-reported data from students, which may have been subject to bias, as respondents might have provided socially desirable answers regarding their financial literacy and loan management practices. To mitigate this, the study ensured anonymity and confidentiality during data collection, encouraging participants to respond honestly without fear of judgment.

Another limitation was the focus on Mount Kenya University, which potentially limited the generalizability of the findings to other universities with different student demographics and financial literacy programs. However, by providing detailed contextual information about Mount Kenya University, the study aimed to offer insights that could still be relevant for similar institutions in Kenya and other comparable contexts.

Lastly, the study faced limited access to accurate records of students' participation in financial literacy programs, which could have affected the precision of the findings. To counter this, the study worked closely with university administration to obtain available records and supplemented gaps with detailed survey questions regarding students' exposure to financial literacy resources.

1.8 Delimitation of the study

The study was deliberately delimited to Mount Kenya University to provide an in-depth analysis of financial literacy programs within a single institutional context, allowing for a focused exploration of program effectiveness on student loan management. By narrowing the scope to this university, the study captured specific insights related to the financial literacy challenges and experiences unique to Mount Kenya University

students, which might not have been as readily observable in a broader, multi-institutional study.

Additionally, the study was confined to three main areas of financial literacy: understanding of interest rates and loan terms, budgeting and financial planning skills, and awareness of loan repayment options. These aspects were chosen because they were directly related to effective student loan management, thus aligning closely with the study's objectives. Other elements of financial literacy, such as investment knowledge, were excluded as they fell outside the core focus on loan repayment.

The study employed a descriptive research design, limiting the methodology to non-experimental techniques, including surveys and descriptive analysis. This choice enabled a comprehensive understanding of the current state of financial literacy among students without attempting to manipulate or control variables, thus fitting the study's aim of observing and describing existing patterns in loan management practices. The timeframe from November to June was set to ensure data collection and analysis could be completed within an academic year, aligning with students' exposure to financial literacy programs during this period.

1.9 Assumptions of the Study

The study operated under several key assumptions to ensure a coherent and realistic framework for data collection and analysis:

1. **Students' Honesty and Accuracy in Responses:** It was assumed that respondents provided honest and accurate answers regarding their financial literacy, budgeting practices, and loan management behavior. This assumption was crucial for the validity of self-reported data, as the study relied on survey responses to gauge students' understanding and practices.

2. **Exposure to Financial Literacy Programs:** The study assumed that a significant portion of Mount Kenya University students had been exposed to some form of financial literacy program during their time at the university. This exposure was necessary to assess the impact of these programs on loan management behaviors effectively.
3. **Relevance of Financial Literacy to Loan Management:** It was assumed that an understanding of financial literacy topics such as interest rates, budgeting, and repayment options directly influenced students' loan management practices. This assumption underpinned the study's focus on specific areas of financial literacy as key factors in improving student loan management.
4. **General Stability of Financial Literacy Programs:** The study assumed that the financial literacy programs offered by Mount Kenya University remained relatively stable in terms of content and delivery throughout the study period from November to June. This assumption allowed for a consistent basis of evaluation without significant programmatic changes impacting the findings.
5. **Willingness to Participate:** It was assumed that students at Mount Kenya University were willing to participate in the study, providing a sample size large enough to offer meaningful and representative insights into financial literacy and loan management within the university context.

1.10 Operational definition of key terms

Financial Literacy: Financial literacy is defined as the knowledge and skills necessary to make informed and effective financial decisions, including understanding budgeting, debt management, and financial products (Lusardi & Mitchell, 2017).

Student Loan Management: Student loan management refers to the practices and strategies employed by students to handle their student loans responsibly, including timely repayments, understanding loan terms, and avoiding defaults (Despard & Chowa, 2018).

Interest Rates: Interest rates are the percentage charges applied to borrowed funds, including student loans, which affect the total repayment amount over time (FINRA Investor Education Foundation, 2020).

Budgeting Skills: Budgeting skills refer to the ability to plan, monitor, and control personal finances by tracking income and expenses effectively (Xiao & O'Neill, 2018).

Loan Repayment Options: Loan repayment options are the various methods and plans available to borrowers to repay their loans, including income-based repayment, deferment, and refinancing options (Federal Reserve, 2019).

Financial Literacy Programs: Financial literacy programs are structured educational initiatives designed to improve participants' financial knowledge, skills, and behaviors (Brown & Grigsby, 2017).

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews the theoretical literature on marketing strategies on student's enrolment. The chapter also reviews the empirical literature, conceptual framework and research gaps are also covered in this chapter.

2.1 Theoretical Literature

This study on the impact of financial literacy programs on student loan management is grounded in the Theory of Planned Behavior (TPB) and Human Capital Theory, both of which offer valuable frameworks for understanding how financial knowledge influences loan management behaviors. The Theory of Planned Behavior, developed by Ajzen (1991), posits that behavior is driven by an individual's intentions, which are shaped by attitudes, perceived control, and social norms. In this context, TPB provides insight into how financial literacy programs can positively influence students' attitudes toward debt management, empowering them with the confidence and motivation to handle their loans responsibly. Complementing this, Human Capital Theory (Schultz, 1961; Becker, 1993) views financial literacy as a vital investment in human capital, where acquiring financial knowledge and skills increases individuals' economic productivity and financial resilience. Together, these theories suggest that financial literacy programs not only foster positive attitudes and intentions but also enhance students' financial competencies, thus equipping them for effective loan management.

2.1.1 Theory of Planned Behavior

The Theory of Planned Behavior (TPB), developed by Icek Ajzen in 1991, has become one of the most widely applied frameworks in understanding human behavior across

various domains, particularly in predicting and explaining individuals' decision-making processes (Ajzen, 1991). Rooted in social psychology, TPB posits that an individual's behavior is directly influenced by their intention to perform that behavior, which, in turn, is shaped by three core components: attitudes, subjective norms, and perceived behavioral control (Ajzen, 2020). Attitude refers to an individual's positive or negative evaluations or beliefs about the behavior in question. For instance, a student with a positive attitude toward managing loans responsibly is more likely to engage in behaviors that reflect responsible loan management, such as timely repayments and budget adherence. Subjective norms represent the social pressures or perceived expectations from others that may influence an individual's behavior. In the context of student loan management, students may feel encouraged to manage loans effectively if they perceive that their peers, family, or financial advisors endorse responsible financial behavior (Conner & Norman, 2018). The third component, perceived behavioral control, encompasses an individual's perception of their ability to execute a given behavior successfully. This sense of control is influenced by external resources, knowledge, and skills—factors directly impacted by financial literacy programs, which equip students with the confidence and competence to navigate complex financial decisions, including loan repayment.

TPB has been validated across numerous studies and remains relevant for predicting behaviors related to personal finance, such as budgeting, saving, and debt management. Ajzen (2020) asserts that intention is the most immediate determinant of behavior, with stronger intentions leading to higher chances of behavior enactment. In the realm of financial decision-making, empirical studies have shown that TPB can effectively predict behaviors such as debt repayment and saving. For example, studies by Farahani et al. (2018) and Yew et al. (2021) found that attitudes toward debt repayment, the influence

of subjective norms, and the presence of perceived control collectively shape individuals' intentions and eventual behaviors regarding debt repayment. In financial contexts, these three constructs—attitude, subjective norms, and perceived behavioral control—allow researchers to identify the psychological and social mechanisms that guide financial decision-making, making TPB a valuable tool for examining how individuals approach student loan management and the influence of financial education on this behavior.

The application of TPB in the context of financial literacy is increasingly relevant, as individuals' financial decisions have a long-term impact on their economic well-being. Financial behaviors, such as effective loan management, require knowledge, positive attitudes, and the confidence to make informed decisions—qualities that financial literacy programs aim to foster. Studies have confirmed the importance of TPB in financial education, as understanding students' attitudes, perceived social expectations, and control beliefs can help educators design more impactful financial literacy interventions (Xiao & Porto, 2019). By identifying the factors that contribute to students' intentions to manage loans responsibly, financial literacy programs can be tailored to emphasize positive financial attitudes and build skills that enhance perceived behavioral control over financial decisions. For instance, positive financial attitudes instilled through literacy programs may include a proactive approach to understanding interest rates, the consequences of default, and long-term financial planning.

In the specific context of this study, TPB provides a theoretical basis for understanding how financial literacy programs may influence students' intentions to manage loans responsibly. The three core components of TPB align with critical elements of financial literacy, making it a suitable framework to analyze how educational interventions can change students' financial attitudes, enhance perceived control, and encourage behaviors that support responsible loan management. The study's first objective, which seeks to

assess the influence of understanding interest rates and loan repayment terms on effective student loan management, directly corresponds with TPB's focus on attitudes and perceived behavioral control. When students understand how interest accrues over time and impacts their overall debt, they are likely to develop a more positive attitude toward managing loans carefully. This knowledge also strengthens perceived control, as students feel more empowered to make informed decisions and avoid financial pitfalls associated with high-interest debt. Ajzen (2020) notes that knowledge and skills contribute to perceived control, as individuals with greater awareness of potential consequences and available options are more likely to feel capable of managing challenging situations—in this case, managing student loans.

In addition to supporting the first objective, TPB's emphasis on subjective norms highlights the role of social influences on students' financial behavior. In many university settings, peer influence is a strong factor in shaping financial attitudes, as students observe and often mimic the financial behaviors of their peers. A financial literacy program that addresses social influences on spending and borrowing could foster a culture of responsible loan management. Conner and Norman (2018) assert that when individuals perceive responsible financial management as the social norm within their community, they are more likely to adopt similar behaviors. By promoting responsible financial practices, financial literacy programs can shape the subjective norms within university environments, creating a ripple effect that reinforces positive financial behaviors among students.

Furthermore, TPB's inclusion of perceived behavioral control underscores the importance of equipping students with the skills and knowledge necessary to feel confident in managing their finances. According to Ajzen (2020), perceived control not only affects behavior directly but also strengthens behavioral intentions, particularly in

challenging contexts like student loan management. Financial literacy programs that provide students with practical tools for budgeting, understanding interest rates, and exploring repayment options can enhance their perceived control over their financial situations. As students feel more capable of handling debt, their intention to engage in responsible loan management behaviors strengthens, thereby supporting the goals of financial literacy interventions. The enhanced sense of control can reduce the anxiety and uncertainty students may feel about debt, making it more likely that they adopted behaviors aligned with effective loan management (Yew et al., 2021).

Linking TPB to this study, the theory offers a comprehensive framework to analyze how financial literacy programs influence the psychological factors underlying student loan management. The components of TPB allow the study to assess how attitudes, subjective norms, and perceived control evolve through exposure to financial education, providing insights into which aspects of financial literacy are most effective in shaping responsible financial behavior. In relation to the first objective, TPB facilitates a deeper understanding of how students' grasp of interest rates and repayment terms may influence their intentions and confidence to manage loans effectively. The theory provides a structured approach to measure the relationship between knowledge acquisition (understanding interest rates) and perceived behavioral control, illustrating how financial literacy programs can enhance students' capacity to navigate loan obligations thoughtfully.

In conclusion, the Theory of Planned Behavior serves as an ideal framework for investigating the influence of financial literacy programs on student loan management at Mount Kenya University. TPB's focus on attitudes, subjective norms, and perceived behavioral control aligns closely with the objectives of financial literacy initiatives, which aim to foster positive financial attitudes, reinforce social support for responsible

financial behavior, and enhance students' confidence in their financial management abilities. By applying TPB, this study can effectively examine the impact of financial literacy on students' behavioral intentions and practices in loan management, offering valuable insights for educators, policymakers, and financial advisors. As the study explores how financial literacy programs affect students' understanding of loan terms, budgeting skills, and repayment options, TPB provides a robust framework to understand the psychological mechanisms that drive effective financial behavior. This theoretical grounding not only enriches the study's analytical approach but also contributes to a broader understanding of how targeted financial education can shape the financial decisions and well-being of university students.

2.1.2 Human Capital Theory

Human Capital Theory, initially formulated by economists such as Theodore Schultz in the early 1960s and later expanded by Gary Becker, posits that investments in education, training, and skills development enhance an individual's productivity, ultimately contributing to better economic outcomes (Becker, 1993). This theory argues that people can acquire valuable competencies and skills, which constitute "human capital," through structured learning and experience (Schultz, 1961). In contemporary applications, Human Capital Theory has been extended to encompass financial literacy as a critical component of economic productivity. Financial literacy equips individuals with the necessary knowledge to make informed financial decisions, manage resources effectively, and navigate complex economic environments (Lusardi & Mitchell, 2017). Human capital, in this view, extends beyond traditional education to include financial competencies that impact personal financial health and stability. Individuals with high financial literacy, for instance, are more likely to engage in productive financial

behaviors, such as budgeting, saving, investing, and effectively managing debt, contributing positively to their economic well-being (Xiao & O'Neill, 2018). This theoretical perspective views education, particularly in financial matters, as an investment that yields returns by reducing the likelihood of financial mismanagement and increasing the capacity to manage debt successfully. Thus, the acquisition of financial skills can be considered an investment in human capital, where the payoff includes reduced financial stress, increased ability to accumulate assets, and improved quality of life (Lusardi, 2019).

Human Capital Theory underscores the notion that financial literacy programs are not merely educational initiatives but critical investments in students' economic futures, enhancing their financial capabilities and readiness to manage debt obligations. As education builds human capital by increasing knowledge and skills, financial literacy specifically builds "financial capital" within individuals, preparing them to handle complex financial responsibilities, such as student loans (Hastings et al., 2019). By understanding loan terms, repayment options, and budgeting, students develop a set of skills that contribute to effective loan management, potentially reducing default rates and financial distress among young graduates. Studies have shown that individuals who possess higher financial literacy are less likely to incur excessive debt and are better prepared to handle financial challenges (Despard & Chowa, 2018). This skill set becomes especially crucial in today's environment, where students often graduate with substantial debt obligations. Financial literacy as an aspect of human capital investment prepares students to manage these responsibilities proactively, thereby enhancing their capacity to navigate financial systems effectively and sustain financial well-being post-graduation (Yew et al., 2021).

Furthermore, Human Capital Theory emphasizes the economic implications of financial literacy on a macroeconomic level, arguing that financially literate populations contribute to broader economic stability. A financially educated populace can make better economic choices, reduce the rate of debt defaults, and increase participation in formal financial markets (Lusardi, 2019). This systemic benefit underscores the significance of integrating financial literacy into educational frameworks as a means of building not only individual human capital but also economic resilience within societies. For instance, individuals who understand the long-term costs of high-interest debt or the benefits of regular savings are likely to make decisions that foster financial security and contribute to economic growth (Xiao & Porto, 2019). By viewing financial literacy as human capital, institutions and policymakers can justify the allocation of resources towards financial education programs, particularly in universities where students are on the cusp of significant financial independence.

The role of financial literacy as human capital also extends to the labor market, where individuals who possess strong financial management skills are perceived as more responsible and resilient. Employers often favor financially literate individuals, as they are likely to demonstrate better decision-making, foresight, and stability in financial matters, which translates to broader productivity and stability in the workplace (Hastings et al., 2019). Therefore, by enhancing financial literacy, universities indirectly prepare students to enter the workforce as individuals who can not only manage their finances but also exhibit qualities of reliability and strategic planning. This effect reinforces the notion that financial literacy is an essential dimension of human capital that serves multiple functions, benefiting both personal financial health and professional growth. In this light, Human Capital Theory presents financial literacy as a dual-benefit investment, enriching students' economic understanding and equipping them with valuable skills

applicable across various facets of life, thereby fostering overall financial resilience and adaptability (Lusardi & Mitchell, 2017).

Linking Human Capital Theory to this study, the theory provides a compelling rationale for examining the impact of financial literacy programs on student loan management at Mount Kenya University. If financial literacy is understood as human capital, then equipping students with financial knowledge and skills is akin to making an economic investment in their future. The study's focus on the influence of financial literacy on loan management behaviors aligns with the idea that financial education enhances students' capacity to handle loan obligations, similar to how other forms of education improve professional competencies. The financial literacy skills imparted by these programs build students' human capital, positioning them to make informed decisions about borrowing, repayment, and budgeting. By examining how well students understand interest rates, loan terms, and repayment options, the study investigates the extent to which financial literacy contributes to effective debt management—a critical skill for graduates who face the challenges of loan repayment immediately upon entering the workforce (Becker, 1993; Hastings et al., 2019).

This link between Human Capital Theory and the study's first objective—to assess the influence of understanding interest rates and loan repayment terms on effective student loan management—demonstrates how specific financial knowledge can enhance students' loan management skills. When students comprehend the implications of interest rates and loan terms, they are better prepared to plan for and manage their debt obligations, reducing the likelihood of default. This aspect of financial literacy, as part of their human capital, strengthens their financial decision-making abilities, directly impacting their loan management practices. In line with Human Capital Theory, understanding loan terms and repayment options represents an investment in personal

financial management skills, empowering students to manage their loans effectively (Xiao & Porto, 2019). By enhancing these competencies, financial literacy programs contribute to building human capital that is directly applicable to students' financial well-being.

Overall, Human Capital Theory provides a theoretical foundation for understanding why financial literacy programs are essential in educational settings, especially regarding student loan management. By equipping students with essential financial skills, these programs increase the students' ability to handle debt and achieve long-term financial stability. This study, therefore, contributes to the broader discourse on human capital by exploring how financial literacy, as a form of human capital, specifically impacts students' loan management behaviors. In doing so, the study aligns with Human Capital Theory's assertion that educational investments yield economic benefits, both on individual and societal levels, by fostering financial competency among young people poised to enter the workforce.

2.2 Theoretical Framework

The figure 1 is the representation of the association between the theories and the dependent variable.

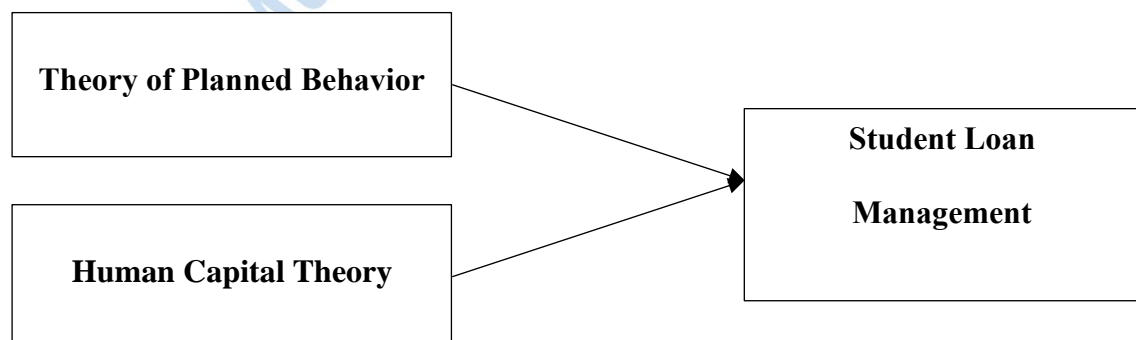


Figure 1: Theoretical Framework

Source: Researcher (2024)

2.3 Empirical Literature

2.3.1 Interest Rates and Loan Repayment Terms on Student Loan Management

Understanding of interest rates and loan repayment terms is a critical factor in effective student loan management worldwide. In the United States, where student debt has reached record levels exceeding \$1.7 trillion, interest rates and loan terms significantly influence students' financial outcomes post-graduation (Federal Reserve, 2022). Research by Montalto et al. (2019) found that students with a strong understanding of interest rates and repayment terms exhibited more responsible loan repayment behavior, such as consistent payments and lower default rates. Moreover, financially literate students were more likely to select repayment plans that minimized their financial burden, demonstrating that knowledge of loan terms directly impacts financial stability. Similarly, in the United Kingdom, student loan interest rates and repayment structures have been areas of concern, with recent reforms prompting increased scrutiny of students' financial literacy. Studies reveal that many UK students lack an understanding of how interest rates affect their total repayment obligations, leading to unanticipated debt accrual (Harrison et al., 2019). According to Harrison and Agnew (2021), students who understood the compounding nature of interest rates were better equipped to plan their finances and avoid excessive debt, highlighting the importance of financial literacy programs in educating students about loan terms.

In Canada, financial literacy has been integrated into the education system to address student debt challenges. Financial literacy programs aimed at high school and university students include components on interest rates and loan management, intending to prepare students for the financial obligations of higher education (Tang & Peter, 2019). According to a study by Robson (2021), Canadian students with a firm understanding of loan terms, including interest rates, demonstrated lower delinquency rates and reported

lower levels of financial stress. This proactive approach has positioned Canada as a model for how financial education can influence effective student loan management.

Across Africa, the understanding of interest rates and loan repayment terms remains a significant challenge for students, largely due to limited access to financial literacy programs. In South Africa, where the National Student Financial Aid Scheme (NSFAS) supports thousands of students, research indicates that many students have only a basic understanding of loan repayment obligations, including interest rates (Mabugu & Chitiga-Mabugu, 2018). According to Zulu (2020), South African students who had participated in financial literacy workshops showed a better grasp of loan terms, which reduced the risk of default and improved loan repayment rates. However, the limited reach of such programs indicates a need for broader implementation to ensure comprehensive financial education.

In Nigeria, the growing number of student loan programs has led to increased interest in financial literacy. Despite this interest, research shows that Nigerian students often lack the financial knowledge needed to manage loan repayments effectively (Adesina & Ekundayo, 2019). Olaniyan and Okunola (2021) found that students who were well-informed about interest rates and repayment schedules exhibited more responsible loan management behaviors. However, financial literacy programs remain sparse, particularly in rural areas, where students may have even less exposure to financial education. This gap highlights the importance of institutional and governmental support in developing robust financial literacy initiatives.

Ghana has also recognized the need for financial literacy in higher education. A study by Amankwah and Arhin (2020) revealed that Ghanaian students often misinterpret loan repayment terms, particularly interest rates, which leads to high default rates among graduates. Financial literacy programs, though limited, have shown promising results in

addressing this issue. Students who received training on loan terms were better able to manage their repayment schedules and avoid compounding debt (Ameyaw & Tetteh, 2021). Ghana's efforts demonstrate the positive impact of financial education on loan management, suggesting that expanding such programs could improve financial outcomes for students across the country.

In Kenya, student loan management has become a pressing concern, especially as the Higher Education Loans Board (HELB) disburses an increasing amount of student loans each year. Many Kenyan students struggle with understanding loan repayment terms and interest rates, which contributes to high default rates upon graduation (HELB, 2022). According to Githinji (2020), students at Kenyan universities who possess a clear understanding of interest rates and repayment schedules are more likely to make informed financial decisions, including timely repayments. However, financial literacy programs are often limited, particularly outside urban areas, leaving many students underprepared to manage their loans effectively.

Mount Kenya University has recognized these challenges and initiated financial literacy programs aimed at enhancing students' knowledge of loan terms. A study by Mwangi and Kihui (2018) showed that students who participated in these programs demonstrated a stronger grasp of interest rates and loan obligations, which positively influenced their loan repayment behavior. The study also highlighted that students who understood how interest accrues over time were more likely to budget for repayments and avoid unnecessary financial strain. This example illustrates the value of financial literacy in equipping students for responsible loan management, though more comprehensive efforts are still needed across other universities.

Research on student loan management at Kenyatta University further emphasizes the importance of understanding interest rates. Ndichu and Wambui (2019) found that

students who had attended financial literacy seminars exhibited better loan management practices, as they were more aware of how loan terms affect repayment obligations. The study concluded that financial literacy programs are essential for helping students navigate the complexities of interest rates and repayment schedules. However, there is still a need for expanded and standardized financial literacy programs across Kenyan institutions to ensure that all students have the knowledge to manage their loans effectively.

2.3.2 Budgeting and Financial Planning Skills on Student Loan Repayment

Globally, budgeting and financial planning skills are critical for effective student loan management. In Germany, where students often rely on both government and private loans, budgeting skills are emphasized as essential for financial health post-graduation (Stolper & Walter, 2019). German students who engage in consistent budgeting practices are found to manage their loan repayments more efficiently, reducing the likelihood of default. According to Zimmermann (2020), students with strong budgeting skills are better equipped to allocate resources for loan repayments, highlighting the importance of financial planning in maintaining financial stability.

In Japan, where tuition costs are high and student loans are commonly used, financial literacy, especially budgeting and planning skills, is critical for students. Financial literacy programs in Japanese universities focus on practical budgeting skills to prepare students for financial responsibilities after graduation. According to Iwai et al. (2019), Japanese students who developed budgeting skills during their studies were more successful in managing their student loans. These students experienced lower rates of financial distress due to their ability to plan and manage loan payments effectively, demonstrating the value of integrating budgeting education into financial literacy programs.

In South Korea, student loan debt is a growing concern, and budgeting is seen as a foundational skill for debt management. South Korean universities have started to emphasize budgeting in their financial education programs to address rising default rates. A study by Kim and Lee (2021) found that students with well-developed budgeting and financial planning skills were more consistent in meeting their loan obligations. The study concluded that budgeting skills play a crucial role in fostering responsible loan repayment behavior, underscoring the need for comprehensive financial education that includes budgeting.

In Uganda, budgeting and financial planning skills are essential for students managing loans, given the limited financial resources available to most students. Financial literacy programs in Ugandan universities have started to address budgeting as a key component of financial management. According to Mukasa and Mugisha (2020), Ugandan students who practice budgeting are more capable of handling their loan repayments, even with limited income post-graduation. The study emphasizes the need for structured budgeting education to help students prioritize loan payments and avoid financial crises.

In Ethiopia, student loans are relatively new, and financial literacy is limited among university students, making budgeting skills even more crucial. A study by Teshome and Legesse (2021) revealed that Ethiopian students with budgeting knowledge could better manage their loan repayments, despite facing economic challenges. These students reported less financial strain and a better ability to allocate resources for loan payments. The findings underscore the importance of financial literacy programs focusing on budgeting, as they help students develop practical skills for loan management.

In Tanzania, financial planning and budgeting are recognized as vital skills for students who rely on loans for education. Many Tanzanian students face economic hardships, making effective budgeting essential for managing loan obligations. Mshomba (2018)

found that Tanzanian students who practiced budgeting skills were more likely to meet their loan repayment schedules, avoiding the pitfalls of debt default. This finding highlights the need for financial literacy programs in Tanzania that equip students with budgeting skills, helping them make informed financial decisions and prioritize debt repayment.

In Kenya, budgeting and financial planning skills are critical for students managing loans through the Higher Education Loans Board (HELB), as student debt continues to rise. A study by Githinji (2020) indicated that Kenyan university students with budgeting skills were better able to prioritize loan repayment, reducing their risk of default. However, financial literacy programs focusing on budgeting are not universally implemented, creating a gap in students' financial preparedness. The study recommends expanded budgeting education across Kenyan universities to help students manage their loan obligations responsibly.

At Moi University, financial literacy programs are beginning to emphasize budgeting and financial planning to aid in effective loan management. According to Kiplagat and Omwenga (2019), students who acquired budgeting skills were better positioned to allocate funds for loan repayment and avoid default. The study revealed that budgeting education helps students understand the importance of prioritizing debt obligations, supporting improved financial health upon graduation. This finding highlights the need for comprehensive financial education that includes budgeting as a core component.

At Jomo Kenyatta University of Agriculture and Technology (JKUAT), budgeting is integrated into financial literacy initiatives, with positive effects on student loan repayment behaviors. Njoroge and Mungai (2021) found that students who engaged in budgeting practices were more likely to meet their loan repayment schedules, even under economic pressures. This proactive approach has shown promise in reducing default

rates, as budgeting helps students manage their limited resources more effectively. Expanding such financial literacy programs across Kenya could enhance loan management outcomes for students, reducing long-term debt challenges.

2.3.3 Awareness and Utilization of Loan Repayment Options on Student Loan Management

Awareness and utilization of loan repayment options are essential for effective student loan management, with various countries implementing distinct approaches to inform students of their repayment choices. In New Zealand, where student loans are widely used, repayment options vary depending on employment status and income. However, many students are unaware of alternative repayment plans that could ease their financial burden (Thorne & Finlay, 2019). Research shows that New Zealand students who fully understand and utilize these options experience lower rates of financial distress and are more consistent in meeting their loan obligations, highlighting the need for better communication of available repayment strategies.

In Brazil, student loans are primarily managed by the government's FIES program, which offers repayment plans based on post-graduation income levels. According to Almeida and Araújo (2020), Brazilian students who are informed about flexible repayment options are better able to manage their loan repayments, even in challenging economic conditions. The study found that awareness of income-based repayment options significantly reduces default rates, as students with lower initial incomes can adjust their repayments. This underscores the importance of educating students on available loan repayment options to improve their financial management post-graduation.

In India, student loans are typically offered with standardized repayment terms, but banks and financial institutions have started introducing flexible repayment options. Sharma and Singh (2021) observed that Indian students who are aware of these options, such as

grace periods and income-based repayments, are more successful in managing their loans. The study highlights that while these options are available, limited awareness often leads students to struggle with loan repayments. Improved awareness and utilization of repayment options could greatly benefit students, reducing default rates and enhancing financial stability.

In Egypt, the student loan system is relatively underdeveloped, but there has been a growing emphasis on loan repayment options to support students facing financial difficulties. Research by El-Shimy and Fahmy (2020) indicates that Egyptian students who are informed about available deferment and income-sensitive repayment plans exhibit better financial management practices. However, awareness levels remain low, leading to difficulties in loan repayment. The study recommends expanding financial literacy programs to include information on repayment options, which could support students in managing their loan obligations more effectively.

In Kenya's neighboring country, Rwanda, the government offers student loans with flexible repayment options, such as income-contingent repayment. According to Ngabonziza and Uwayezu (2019), Rwandan students with knowledge of these repayment options are more likely to remain current on their loans. Those who lack awareness, however, often face difficulties in loan repayment, as they are unable to adjust payments according to their financial situation. The findings suggest that enhancing awareness of repayment flexibility could improve loan management outcomes among Rwandan students.

In Zimbabwe, financial literacy is limited, and student loan awareness programs are still developing. A study by Chikanda and Mutsvangwa (2020) found that Zimbabwean students who are aware of options such as deferred payment plans and adjusted repayment terms manage their loans more effectively. Despite the presence of these

options, the majority of students lack sufficient knowledge about them, leading to high default rates. The study underscores the need for structured financial literacy initiatives that educate students on repayment options, which could support responsible loan management.

In Kenya, awareness and utilization of various loan repayment options are crucial for effective student loan management, especially given the growing reliance on Higher Education Loans Board (HELB) loans. A study by Mwangi and Kihuu (2018) revealed that Kenyan students who are well-informed about repayment options, such as income-based repayment and deferment, are better able to manage their loan repayments. However, many students lack awareness of these options, leading to financial strain and increased default rates. The study suggests that increased financial literacy, particularly around loan repayment options, is essential for improving loan management among students.

Research at Egerton University shows similar findings, with limited knowledge of flexible repayment plans among students. Gichuki and Nderitu (2019) found that students who were aware of HELB's various repayment options exhibited more responsible loan management practices. However, the majority of students were unaware of options like extended repayment plans, resulting in higher financial challenges after graduation. The study emphasizes the need for HELB and universities to implement awareness campaigns, educating students on available repayment choices to enhance financial stability.

At the University of Nairobi, financial literacy initiatives have started addressing awareness of repayment options to help students manage their loans effectively. According to Ochieng and Otieno (2021), students who participated in these programs and were made aware of alternative repayment plans were more consistent in meeting

their loan obligations. However, the study found that many students still lack a comprehensive understanding of the repayment options available to them. Expanding financial literacy programs to include detailed information on loan repayment strategies could further support students in managing their loan debt and reducing the risk of default.

2.4 Conceptual Framework

Using a conceptual framework is a diagrammatic research technique that aids the researcher in acquiring an understanding and awareness of the issue at hand. It is, in fact. Researchers often use conceptual frameworks as an aid in identifying potential research directions and laying out their preferred method of approaching a given problem. As a collection of general concepts and principles collected from relevant disciplines of study, it might be characterized as a framework for a presentation. It is the interaction of these blocks that completes the foundation for specific predicted results.

Independent variables are those that are assumed to have an impact on or influence the dependent variable. During an experiment, the independent variable has an effect on a dependent variable, which is measured and changed as a result of the experiment.

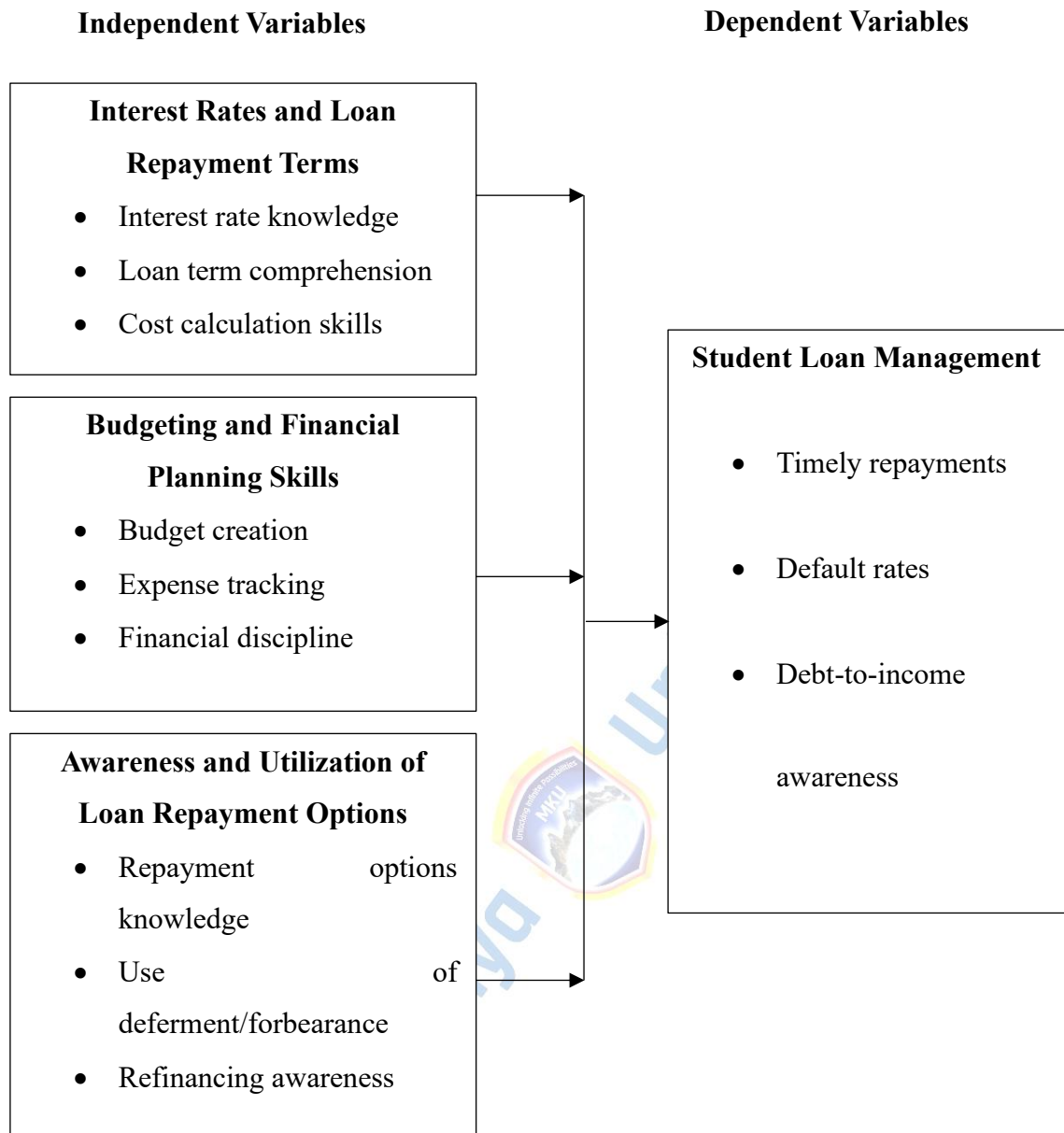


Figure 2: Conceptual Framework

Source: Research (2022)

2.5 Research Gaps

While there is substantial evidence globally that understanding interest rates and loan repayment terms plays a vital role in student loan management, there is limited research focusing specifically on the effectiveness of this knowledge within the Kenyan university context. Studies in countries such as Brazil and India highlight that awareness of loan

terms improves repayment behavior, yet Kenyan students still face high default rates despite having access to similar loan options (Almeida & Araújo, 2020; Sharma & Singh, 2021). The literature lacks a detailed examination of how understanding interest rates impacts Kenyan students' repayment practices, particularly in regard to the distinct financial and social dynamics unique to the region (Githinji, 2020). Thus, a gap remains in assessing whether financial literacy programs in Kenya adequately address the importance of interest rate comprehension for effective loan management.

Another identified gap relates to the effect of budgeting and financial planning skills on student loan repayment behaviors in African universities, including those in Kenya. While studies from New Zealand and Rwanda suggest that budgeting skills are crucial for loan repayment success (Ngabonziza & Uwayezu, 2019; Thorne & Finlay, 2019), Kenyan research in this area is sparse. Few studies explore whether financial literacy programs in Kenyan universities sufficiently equip students with the budgeting and planning skills needed for managing their loans effectively. Githinji (2020) underscores that Kenyan students with budgeting knowledge have better repayment outcomes, yet there is limited empirical data on the direct correlation between budgeting skills and loan management across various Kenyan institutions. More research is needed to understand how enhancing budgeting education within financial literacy programs might reduce loan default rates among Kenyan students.

A significant gap also exists in understanding the impact of awareness and utilization of various loan repayment options on student loan management in Kenya. Research from Zimbabwe and Rwanda reveals that awareness of flexible repayment options helps students navigate financial challenges effectively (Chikanda & Mutsvangwa, 2020; Ngabonziza & Uwayezu, 2019). However, in Kenya, many students remain unaware of repayment plans offered by the Higher Education Loans Board (HELB), such as income-

contingent repayment or deferment options (Mwangi & Kihui, 2018). This gap suggests that Kenyan universities may lack effective programs for informing students about their repayment choices, potentially leading to missed opportunities for managing debt more sustainably. Further research is needed to assess how increased awareness and utilization of repayment options influence loan management practices among Kenyan students.

Finally, the literature lacks comprehensive studies examining the combined influence of these financial literacy elements interest rate comprehension, budgeting skills, and repayment options on Kenyan students' overall loan management practices. While isolated studies discuss the importance of individual aspects of financial literacy, such as budgeting (Gichuki & Nderitu, 2019) and awareness of repayment options (Ochieng & Otieno, 2021), there is no holistic analysis of how these elements interact to shape effective loan management. This gap points to the need for an integrated approach in future research, exploring how a well-rounded financial literacy program encompassing all aspects of loan management could provide Kenyan students with a stronger foundation for repaying their loans responsibly.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

Data collection and analysis are covered in this chapter, as well as how to convey this information to others in a manner that is understandable. Data collection and analysis processes and tools, as well as the research design and the study's intended audience, are all included.

3.1 Research Design

It is necessary to have a research design in place before beginning any research project in order to ensure that the findings are applicable to the current economic climate (Kothari, 2004). Research design is the blueprint for collection of required data and methods of carrying out the necessary statistical analysis to find solutions to the problem identified and objectives of the study. A descriptive survey design was employed in conducting this study. This design is suitable as it discovers and measures cause and effect relationships among variables. Such a study strategy is appropriate here since a complete understanding of the issue prior to its resolution is necessary (Frankfort-Nachmias & Nachmias, 2007).

Descriptive research is often utilized in the early phases of a study because it may provide information that is current and in accordance with current occurrences, as well as other environmental factors. Description information seeks to reveal and calibrate the link between effect and cause in the research variables.

3.2 Area of Study

The study was conducted at Mount Kenya University (MKU), which comprises the main campus in Thika and multiple satellite campuses and centers spread across Kenya. The main campus is located along General Kago Road in Thika Town, approximately 45 kilometers from Nairobi, the capital city of Kenya. The university has 7 campuses in Thika, Nairobi, Parklands, Mombasa, Nakuru, Eldoret, and Meru, as well as 8 Open, Distance, and E-Learning (ODEL) centers. The study focused on both the main campus and selected satellite campuses and ODEL centers to capture a diverse and representative sample of the student and finance staff population.

3.3 Target Population

The target population for this study comprises students at Mount Kenya University and the university's finance staff.

Mount Kenya University has a total student population of 67,000 across its seven campuses and eight Open, Distance, and E-Learning (ODEL) centers. Of these, approximately 60% are beneficiaries of the Higher Education Loans Board (HELB), translating to an estimated 40,200 students. This study exclusively targeted HELB-supported students while excluding those who do not receive financial support from HELB. This exclusion ensures the study focuses on the group directly involved in managing student loans and participating in financial literacy programs. By capturing data from this population, the study aims to assess how financial literacy initiatives influence loan management practices, including budgeting, repayment planning, and financial decision-making.

The study also involves the 56 finance staff members employed across Mount Kenya University's campuses and ODEL centers. These staff members are integral to the design

and implementation of financial literacy programs, as well as the management of student financial accounts. Their perspectives provided insights into institutional efforts to enhance financial literacy among HELB beneficiaries and the challenges faced in supporting students' loan management practices.

By focusing on the 40,200 HELB-supported students and 56 finance staff, the study captures both the student experience and the institutional processes that influence financial literacy and loan management at Mount Kenya University. This comprehensive approach ensures a detailed analysis of the effectiveness and impact of financial literacy programs within the university.

3.4 Sampling Procedures and Sample Size

This study employs stratified random sampling to ensure adequate representation of the diverse population at Mount Kenya University. The population is divided into two strata: HELB-supported students and finance staff. Stratified sampling allows for the inclusion of subgroups, ensuring representation of varied experiences across campuses and ODEL centers (Taherdoost, 2016). For students, stratification is based on HELB support status and geographical distribution across the seven campuses and eight ODEL centers. Within each campus, random sampling is used to select participants. For finance staff, a census approach is utilized due to the manageable population size.

The sample size for the study is calculated using Cochran's formula for large populations:

$$n = Z^2 p (1-p) / e^2$$

Where:

- n = required sample size
- Z = Z-value for a 95% confidence level (1.96)
- p = estimated proportion of the population (0.5 for maximum variability)
- e = margin of error (0.05)

For HELB-supported students, the initial sample size is calculated as:

$$n = (1.96^2 * 0.5 * 0.5) / (0.05^2) = 384$$

Since the population size is finite ($N = 40,200$), the sample size is adjusted using the finite population correction formula:

$$n' = n / [1 + (n-1)/N]$$

$$n' = 384 / [1 + (384-1)/40,200] \approx 380$$

Thus, the sample size for HELB-supported students is 380. These students were proportionately selected from all campuses and ODEL centers to ensure geographic diversity, as recommended for stratified sampling (Creswell & Creswell, 2018).

For the finance staff, whose total population is 56, a census approach was employed to ensure comprehensive data collection from this group (Mugenda & Mugenda, 2009).

Hence, the total sample size was 436 participants.

3.5 Construction of research instruments

The study utilized both primary and secondary data collection instruments to achieve its objectives. Primary data was collected using a semi-structured questionnaire for HELB-supported students and an interview guide for finance staff. Secondary data was sourced to validate and supplement the primary data. Questions in this survey was both closed and open-ended. Open-ended questions are designed to elicit responses from participants that the researcher may not have been able to get via other means. A five-point likert scale was adopted. Section A focused on background information; Section B dealt with Interest Rates and Loan Repayment Terms; section C focused on Budgeting and Financial Planning Skills; section D focused on Awareness and Utilization of Loan Repayment Options; and section E focused on Student Loan Management.

For finance staff, an interview guide was employed to gather qualitative data. The guide included open-ended questions focusing on the implementation of financial literacy programs, challenges encountered in supporting students' loan management, and

perceptions of program effectiveness. Key themes also included the institutional role in enhancing financial literacy and feedback mechanisms from students.

Secondary data included institutional records such as HELB loan uptake and repayment rates. These records supported the primary data by providing context and verifying self-reported information from the participants. This combination of instruments ensures comprehensive data collection, capturing both student experiences and institutional perspectives.

3.6 Testing for Piloting, validity and reliability

3.6.1 Piloting

As Mugenda & Mugenda (2009) asserts, pilot testing is vital in the study process because it forms the trial run of the procedures and the instruments that the researcher intends to use. Piloting assisted the researcher in avoiding costly mistakes. Piloting is vital to clarify ambiguity, identify incorrectly phrased items and incidences of insufficient space to write responses, and cluster questions. A total of 44 respondents participated in the pilot test, comprising 38 HELB-supported students (10% of the sample size of 380) and 6 finance staff members (10% of the total 56 staff) from the United States International University-Africa (USIU) in Nairobi, a private university, was conducted to ensure the validity of the questionnaire. The piloting exercise helped the researcher identify ambiguous questions and gauge the appropriateness of the techniques used in the data analysis.

3.6.2 Reliability of the Research Instruments

Reliability measures the degree of a research instrument producing constant outcomes after repetitive tests (Mugenda & Mugenda, 2009). A tool is reliable if it is able to quantify a variable precisely and attain comparable outcomes over duration of period.

Reliability refers to inside reliability of research tools; it is the capability of research tools to give comparable outcomes all the time under similar conditions.

Cronbach's Alpha, a measure of reliability, was used to assess test-retest reliability. Re-administering a questionnaire to the same group of people after some time was necessary for this experiment. Cronbach's alpha was used to assess the reliability of the research instrument in this study. Cronbach's alpha is a measure of the correlation between the averages of measured elements. According to Zinbarg et, al. (2006), a dependability coefficient (Alpha value) of higher than 0.7 was considered satisfactory in this investigation.

3.6.3 Validity of the Research Instruments

Data collecting instruments must yield the type of data that can appropriately answer the questions of the researcher. Mugenda and Mugenda (2009) emphasize that data obtained must be pertinent to the research questions by maximizing reliability and validity. A valid instrument accurately measures the concept in question. By adhering to the characteristics of self-evident measures, the validity of questionnaire was observed. These measures show the extent to which the instruments measure what they are meant to measure, which is classified as validity of face and content. The validity of instruments were ascertained by discussing the questionnaire with the researcher supervisor and other education experts who are highly knowledgeable about the study.

3.6.4 Establishing Credibility of the Research Instruments

Credibility is the value of being believable or reliable. It is the quality or power of inspiring belief. Consequently, credible sources should be reliable to give evidence that can be believed to be true. It is a judgment that the readers make about how believable the writer is according to O'Keefe (2016). It is important since participants frequently

decide to answer to a convincing message centered not on the content but on their perception of the communicator.

3.7 Data Collection Methods and Procedures

The study used a questionnaire to collect primary data that allows for uniformity of responses to questions. The research instrument was self-administered to the respondents by the researcher. The manner of questionnaire administration was by drop and pick method whereby the respondents were given the questionnaire. The researcher also used emails as a form of questionnaire administration for those respondents who are in faraway centers to help fasten the process of data collection and also reduce the cost involved. The respondents were given one week to respond to the questions after which they were picked. The time allowed for the respondents to fill out the questionnaire enhanced the response rate.

3.8 Data Analysis Methods

The information that has been gathered was examined to see whether or not there are any gaps, inaccuracies, omissions, or other types of irregularities. After that, the data was coded with numbers so that they may be organized into the appropriate number of categories. SPSS Version 23.0 was used alongside MS Excel software to obtain both descriptive and inferential statistics. As a result, both descriptive and inferential statistical methods were used in the research to assess the data. In the report, descriptive statistics were provided in the form of tables, bar charts, and graphs. These statistics entailed the usage of the mean as well as the standard deviation. The Pearson correlation coefficient and the OLS approach via regression was used as part of the inferential

statistics in order to determine the nature of the relation that exists between the study's various variables. The multivariate regression model took the following format:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

Where: Y = Student Loan Management

X₁ = Interest Rates and Loan Repayment Terms

X₂ = Budgeting and Financial Planning Skills

X₃ = Awareness and Utilization of Loan Repayment Options

β_0 = Constant. It defines the level of credit rating without the inclusion of predictor variables.

$\beta_1, \beta_2, \beta_3$ = Regression Co-efficients for the predictor variables.

ϵ = Unexplained Variation i.e. error term

3.9 Ethical Consideration

Research ethics act as a guide to the behavior of the researcher when doing a study. They help him or her conduct the study in acceptable manner taking into consideration the rights of the participants. The researcher focused on some ethical issues which were be considered before, during, and after the data collection. The following ethical guidelines were observed by the researcher and include informed consent; Confidentiality and privacy; anonymity; Mien and decorum; storage of data and plagiarism as explained below:

The participants gave information voluntarily. Informed consent is derived from the participant right to freedom and making their own decisions. This means that consent allows the participant to make their own decision and puts some part of responsibility on the respondent should there be a problem or challenge that arises during the study

(Louis et al, 2011). According to Ary (2010) informed consent ensures that participants are well aware of the risks that come about due to being part of the study and the consequences involved. In this study, the researcher ensured the participants who accept to be part of the study are aware of the research goals. The participants also had a right to choose to be part of the study or to decline.

Respect for privacy is at the heart of the conduct of ethical research with human participants (Ary, 2010). In this study, the researcher ensured privacy of the participants by securing data in the computer with a password to ensure that other people cannot access it without the researcher's consent. The researcher additionally grouped the respondents' responses so that each individual participant's score cannot be identified in the grouped data. An assurance was given to the participants that any data they provided was not given out or shared with any other person, but rather it was used purely for research purpose. Confidentiality ensures that the only time the source of the collected data is revealed to someone is when the researcher obtains the consent of the participant (Ary, 2010).

Anonymity refers to the process of protecting the identity of specific individuals. In any research, the participants have the right to remain secret. The researcher made sure that the questionnaires did not contain names of the participants so as to ensure complete and total secrecy.

The information gathered from the participants was stored in extreme confidentiality to avoid leakage to illegal people. It was preserved in both hard and soft copies. The investigator did not disclose any gathered material to anyone for any reason.

To ensure clean work free from plagiarism, the researcher was uploading his work into TURNITIN software. This was done before each defense. The percentage index remained not more than 15 %. This includes the references. If the percentage was higher,

the proposal document was cleaned and taken back to the programme till it was 15 % or less.



CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.0 Introduction

This chapter presents the findings of the study based on the data collected from respondents at Mount Kenya University. The chapter is organized into sections corresponding to the study objectives, including the influence of understanding of interest rates and loan repayment terms, the effect of budgeting and financial planning skills, and the impact of awareness and utilization of various loan repayment options on student loan management. The findings are presented using descriptive and inferential statistics, with discussions linking the results to existing literature.

4.1 Response rate

In this study, a total of 436 questionnaires were distributed to respondents. Out of these, 396 were successfully completed and returned, representing a response rate of 90.8%. This high response rate is indicative of the participants' willingness to engage with the study and provides a reliable dataset for analysis.

4.2 Demographic study

This section consists gender age and year of study.

4.2.1 Gender

The study found out that 186 (47%) of the respondents were male, while 210 (53%) were female. The study revealed that female respondents formed the majority. This indicates a fairly balanced gender representation, ensuring diverse perspectives on financial literacy and student loan management at Mount Kenya University.

Table 1: Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	186	47.0	47.0	47.0
	Female	210	53.0	53.0	100.0
	Total	396	100.0	100.0	

Source: Field Data (2025)

4.2.2 Age

The study found out that the majority of the respondents, 152 (38.4%), were aged between 23 - 27 years. The study revealed that 137 (34.6%) of the respondents were in the 18 - 22 years category, while 58 (14.6%) were aged between 28 - 31 years. Additionally, 34 (8.6%) of the respondents were below 18 years, and 15 (3.8%) were above 32 years. This distribution suggests that most of the respondents were in their early to mid-twenties, which aligns with the typical university-going age group.

Table 2: Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 18 years	34	8.6	8.6	8.6
	18 - 22 years	137	34.6	34.6	43.2
	23 - 27 years	152	38.4	38.4	81.6
	28 - 31 years	58	14.6	14.6	96.2
	Above 32	15	3.8	3.8	100.0
	Total	396	100.0	100.0	

Source: Field Data (2025)

4.2.3 Year of study

The study found out that the majority of the respondents, 118 (29.8%), were in their first year of study. The study revealed that 113 (28.5%) were in second year, while 92 (23.2%) were in third year. Additionally, 73 (18.4%) of the respondents were in their fourth year.

This distribution indicates that the study captured perspectives from students at different academic levels, ensuring a comprehensive understanding of financial literacy and student loan management across all years of study at Mount Kenya University.

Table 3: Year of study

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	First year	118	29.8	29.8	29.8
	Second year	113	28.5	28.5	58.3
	Third year	92	23.2	23.2	81.6
	Fourth year	73	18.4	18.4	100.0
	Total	396	100.0	100.0	

Source: Field Data (2025)

4.3 Descriptive Analysis

4.3.1 Interest Rates and Loan Repayment Terms on Student Loan Management

The study sought to assess how students' understanding of interest rates and loan repayment terms influences effective student loan management. The findings are presented in Table 4. The study found out that respondents had moderate confidence in understanding how interest rates impact loan repayment, with a mean of 3.0455, reflecting a standard deviation of 1.76404. The study revealed that students occasionally review their loan repayment terms to plan accordingly, as indicated by a mean of 3.1061 and a standard deviation of 1.77004.

The study found out that respondents somewhat understood the effect of interest compounding on overall debt, with a mean of 3.1616 and a standard deviation of 1.76151. However, the study revealed that students had low confidence in calculating the total cost of their student loan, including interest, as shown by a mean of 2.7348 and a standard deviation of 1.74237, the study found out that respondents had limited awareness of how changes in interest rates affect loan repayment schedules, as indicated by a mean of

2.7576 and a standard deviation of 1.75220. The study revealed that knowledge of the difference between fixed and variable interest rates was also low, with a mean of 2.7929 and a standard deviation of 1.83152. Similarly, the study found out that respondents were not well informed about penalties for missed loan repayments, as reflected by a mean of 2.8005 and a standard deviation of 1.83444.

The study further revealed that students lacked a comprehensive understanding of key loan management concepts, particularly in areas where detailed calculations and awareness of financial penalties were required. This indicates that while some students had basic knowledge, many still struggle with effectively managing their loans due to gaps in financial literacy. The majority of respondents demonstrated a lack of confidence in calculating loan costs, understanding interest rate changes, and differentiating between fixed and variable interest rates. This highlights the need for enhanced financial literacy programs to bridge these knowledge gaps and improve students' ability to manage their loans effectively.

Table 4: Influence of understanding of interest rates and loan repayment terms

	N	Min	Max	Mean	Std. Deviation
I am confident in my understanding of how interest rates impact loan repayment.	396	1.00	5.00	3.0455	1.76404
I regularly review my loan repayment terms to plan accordingly.	396	1.00	5.00	3.1061	1.77004
I understand the effect of interest compounding on my overall debt.	396	1.00	5.00	3.1616	1.76151
I can calculate the total cost of my student loan including interest.	396	1.00	5.00	2.7348	1.74237
I am aware of how changes in interest rates affect my loan repayment schedule.	396	1.00	5.00	2.7576	1.75220
I know the difference between fixed and variable interest rates in loan terms.	396	1.00	5.00	2.7929	1.83152
I feel knowledgeable about penalties for missed loan repayments.	396	1.00	5.00	2.8005	1.83444
Valid N (listwise)	396				

Source: Field Data (2025)

Understanding interest rates and loan repayment terms is a crucial aspect of effective student loan management. Many students take loans without fully grasping how interest accrues or the repayment conditions, leading to financial struggles post-graduation. Without adequate knowledge, students may make uninformed financial decisions,

increasing the risk of default and long-term debt burdens. This section explores key themes that emerged from the study and their correlation with existing literature.

Many students lack a basic understanding of loan terms when they first take out student loans. Those who participate in financial literacy programs are more likely to make informed choices regarding borrowing, repayment, and financial planning. One student shared,

“Before I attended a financial literacy seminar, I had no idea how interest rates worked. I thought I would only pay back what I borrowed, but now I understand that interest keeps accumulating. This knowledge has helped me budget and plan my loan repayments more effectively.” Another student explained, *“I used to take my HELB loan without thinking much about it. Now, I know that if I delay repayment, I end up paying more than I initially borrowed. That realization changed my approach to borrowing.”*

This finding aligns with Montalto et al. (2019), who found that students who received financial education demonstrated better loan management and lower default rates. Similarly, a study by Lusardi and Mitchell (2017) concluded that financial literacy improves individuals’ ability to make sound borrowing decisions. In Kenya, Githinji (2020) highlighted that students who understood interest rates and repayment terms were less likely to default on their loans. These studies reinforce the idea that financial literacy is a key factor in responsible loan management and financial stability.

A significant number of students struggle with repaying their loans due to misunderstandings about how interest accrues over time. Many assume they have unlimited time before repayment begins or fail to consider the long-term financial burden. One respondent confessed,

“I never read the fine print when signing up for my student loan. I assumed I had years before I needed to worry about repayment, but now I see how quickly the debt grows.” Another student emphasized, *“If I had known about interest capitalization earlier, I would have borrowed less. Now, I feel trapped because my loan balance keeps increasing.”*

This finding is consistent with research by Harrison and Agnew (2021), who found that students in the UK who did not understand interest rates were more likely to accumulate unmanageable debt. Similarly, a study in South Africa by Zulu (2020) highlighted that student with limited knowledge of repayment terms faced higher financial stress and default rates. In Kenya, Mwangi and Kihiu (2018) found that financial illiteracy contributed to increased loan defaults among HELB beneficiaries. These studies emphasize the need for improved financial education to prevent long-term financial struggles.

Students who receive early guidance on loan repayment strategies, such as income-based repayment plans or interest subsidies, tend to manage their finances more effectively.

One participant shared,

“After learning about loan repayment plans, I started saving a small amount each month for future repayments. I feel more in control now, knowing I have a strategy in place.” Another added, *“Understanding the difference between subsidized and unsubsidized loans has helped me prioritize which loans to pay off first. I now make extra payments when possible, to reduce my overall debt.”*

These findings align with research by Worthington (2021), who found that students who learned about loan repayment strategies early were more likely to manage debt responsibly. Robson (2021) observed similar results in Canada, where financial literacy programs helped students lower their debt burden by teaching them effective repayment strategies. In Kenya, Ndichu and Wambui (2019) found that students with knowledge of repayment options exhibited better financial planning and loan management behaviors. This highlights the importance of integrating financial education into university curricula to equip students with the skills necessary for responsible borrowing and repayment.

4.3.2 Budgeting and Financial Planning Skills on Student Loan Management

The study sought to examine how budgeting and financial planning skills influence the management of student loan repayment among university students. The findings are presented in Table 5. The study found out that respondents had moderate engagement in creating a monthly budget to track expenses and income, as indicated by a mean of 2.9899 and a standard deviation of 1.80713. The study revealed that students prioritize loan repayment in their financial planning to some extent, with a mean of 3.1061 and a standard deviation of 1.77860.

Additionally, the study found out that respondents track their expenses to avoid unnecessary spending at a lower rate, as reflected by a mean of 2.5606 and a standard deviation of 1.79136. The study revealed that students engage in saving money regularly to ensure timely loan repayments, though at a relatively low level, with a mean of 2.6667 and a standard deviation of 1.77607, the study found out that students rarely set financial goals to manage their loans effectively, as indicated by a mean of 2.6338 and a standard deviation of 1.74291. The study further revealed that students do not strongly adhere to avoiding borrowing beyond what they can repay based on their budget, as shown by a mean of 2.6061 and a standard deviation of 1.77646. Similarly, the study found out that students review their financial plans periodically to adjust for loan repayments, but not consistently, as reflected by a mean of 2.7121 and a standard deviation of 1.75829. The majority of respondents demonstrated limited financial planning skills, particularly in tracking expenses, setting financial goals, and saving regularly for loan repayment. This highlights the need for enhanced financial literacy programs focusing on budgeting and financial discipline to improve students' ability to manage their loans effectively.

Table 5: Effect of budgeting and financial planning skills on the management of student loan repayment

	N	Min	Max	Mean	Std. Deviation
I create a monthly budget to track my expenses and income.	396	1.00	5.00	2.9899	1.80713
I prioritize loan repayment in my financial planning.	396	1.00	5.00	3.1061	1.77860
I track my expenses to avoid unnecessary spending.	396	1.00	5.00	2.5606	1.79136
I save money regularly to ensure timely loan repayments.	396	1.00	5.00	2.6667	1.77607
I set financial goals to manage my loan effectively.	396	1.00	5.00	2.6338	1.74291
I avoid borrowing beyond what I can repay based on my budget.	396	1.00	5.00	2.6061	1.77646
I review my financial plan periodically to adjust for loan repayments.	396	1.00	5.00	2.7121	1.75829
Valid N (listwise)	396				

Source: Field Data (2025)

Budgeting and financial planning are essential skills that help students manage their student loans effectively. A lack of financial planning often leads to loan mismanagement, financial distress, and increased default rates. Many students struggle with loan repayment because they do not allocate their funds appropriately, fail to prioritize their debt obligations, or lack a clear repayment strategy. This section explores key themes that emerged from the study regarding the role of budgeting and financial planning in student loan management.

Students who actively budget their finances find it easier to manage their student loan repayments. Budgeting allows them to track their expenses, cut unnecessary spending, and allocate a portion of their income or allowances toward loan repayment. One student shared,

“I used to spend my HELB loan without thinking about the future, but after learning about budgeting, I started setting aside a portion for emergencies and future loan payments. Now, I feel more in control of my finances.” Another respondent added, *“When I started tracking my expenses, I realized I was wasting money on unnecessary things. Budgeting has helped me prioritize important expenses, including loan repayment.”*

These findings align with studies by Stolper & Walter (2019), who found that students with strong budgeting skills were better prepared to meet their financial obligations and had lower default rates. Similarly, research in South Korea by Kim & Lee (2021) highlighted that students who engaged in budgeting practices experienced less financial distress and were more consistent in making their loan payments. In Kenya, Githinji (2020) found that students who actively budgeted were more likely to manage their HELB loans responsibly, reducing their risk of default.

Many students take out loans without a clear financial plan, leading to financial difficulties later. Without a structured approach to managing their money, they often spend loan funds on non-essential expenses, leaving them unprepared for future repayments. One respondent admitted,

“I took my HELB loan thinking it was free money. I used it to buy expensive clothes and take trips. Now that I have to start repaying, I regret not planning ahead.” Another student said, *“I never thought about repayment when I took out my loan. I wish someone had told me to plan for the future.”*

This finding is supported by research from Worthington (2021), which revealed that students who lacked financial planning skills often accumulated excessive debt and struggled with repayment. A study by Zimmermann (2020) in Germany found that

students who failed to plan their finances faced greater financial insecurity post-graduation. In Kenya, Ndichu & Wambui (2019) found that many HELB beneficiaries misused their loans due to poor financial planning, leading to increased default rates. These studies highlight the critical role of financial planning in ensuring responsible loan management.

4.3.3 Awareness and Utilization on Student Loan Management

The study sought to determine the impact of awareness and utilization of various loan repayment options on loan management practices among university students. The findings are presented in Table 6. The study found out that respondents had moderate awareness of different repayment plans available for their loans, as indicated by a mean of 2.7955 and a standard deviation of 1.79763. The study revealed that students had a relatively higher understanding of deferment and forbearance options for their loans, with a mean of 3.1717 and a standard deviation of 1.77059, the study found out that respondents occasionally utilized flexible repayment options when necessary, as reflected by a mean of 3.1364 and a standard deviation of 1.78930. The study revealed that students had a fair understanding of how to apply for loan repayment adjustments based on income, with a mean of 3.2298 and a standard deviation of 1.77328, the study found out that awareness of refinancing options for student loans was relatively low, as indicated by a mean of 2.8611 and a standard deviation of 1.76847. The study revealed that students rarely sought advice from financial advisors regarding repayment options, as shown by a mean of 2.5960 and a standard deviation of 1.82899. Similarly, the study found out that students had a limited belief that understanding repayment options helps them manage their loans better, as reflected by a mean of 2.6869 and a standard deviation of 1.81775.

The study further revealed that while some students were aware of loan repayment options, many did not actively seek financial advice or explore refinancing and flexible repayment alternatives. This indicates that limited knowledge and underutilization of available loan repayment strategies hinder effective loan management among students. The majority of respondents demonstrated insufficient awareness and minimal utilization of various repayment options, highlighting the need for enhanced student financial literacy programs to promote informed decision-making in loan repayment management.

Table 6: Impact of awareness and utilization of various loan repayment

	N	Min	Max	Mean	Std. Deviation
I am aware of different repayment plans available for my loan.	396	1.00	5.00	2.7955	1.79763
I understand the deferment and forbearance options for my loan.	396	1.00	5.00	3.1717	1.77059
I have utilized flexible repayment options when necessary.	396	1.00	5.00	3.1364	1.78930
I know how to apply for loan repayment adjustments based on income.	396	1.00	5.00	3.2298	1.77328
I am aware of refinancing options for my student loan.	396	1.00	5.00	2.8611	1.76847
I seek advice from financial advisors regarding repayment options.	396	1.00	5.00	2.5960	1.82899
I believe that understanding repayment options helps me manage my loan better.	396	1.00	5.00	2.6869	1.81775
Valid N (listwise)	396				

Source: Field Data (2025)

Awareness and utilization of loan repayment options play a crucial role in effective student loan management. Many students default on their loans not because they are unwilling to pay but because they are unaware of flexible repayment options, such as income-based repayment, deferment, and refinancing. Without proper guidance, students may struggle with financial stress and accumulation of penalties. This section explores key themes that emerged from the study regarding how awareness and utilization of loan repayment options affect loan management.

Many students who are well-informed about repayment options make responsible financial decisions and plan their loan payments effectively. Understanding different repayment plans helps students choose options that align with their financial situation, reducing default rates. One student shared,

“When I learned about the income-based repayment option, I felt relieved because I realized I wouldn’t have to struggle with fixed high monthly payments after graduation.” Another student added, *“Initially, I thought missing a payment meant I would be penalized immediately, but after attending a loan awareness session, I found out I could apply for a grace period when facing financial challenges.”*

These findings align with research by Thorne & Finlay (2019), who found that New Zealand students with higher awareness of repayment options experienced lower financial distress and were more consistent in meeting their loan obligations. Similarly, Almeida & Araújo (2020) found that Brazilian students who were educated on flexible repayment plans were less likely to default on their loans. In Kenya, Mwangi & Kihui (2018) highlighted that a significant portion of HELB beneficiaries lacked knowledge about available repayment options, contributing to higher default rates. This supports the argument that increasing awareness can lead to better loan management.

Many students remain unaware of alternative repayment plans, which results in financial difficulties. Some assume that repayment is rigid and inflexible, leading them to ignore

their loan obligations or default when faced with financial hardship. One student admitted,

“I thought I had to start paying back my loan immediately after graduation, regardless of whether I had a job or not. I wish I had known that deferment was an option.” Another student added, *“I only learned about loan restructuring after I had already missed several payments. If I had known earlier, I would have avoided the penalties.”*

This finding is supported by Sharma & Singh (2021), who found that Indian students with limited knowledge of repayment options faced higher financial distress and loan defaults. Similarly, research by Chikanda & Mutsvangwa (2020) in Zimbabwe highlighted that most students were unaware of deferment and flexible repayment options, leading to high delinquency rates. In Kenya, Githinji (2020) found that a lack of information about HELB repayment options resulted in increased default rates among university graduates. These studies emphasize the need for financial institutions to enhance communication and education on repayment options.

Those who take advantage of repayment options, such as income-contingent repayment and deferment, experience less financial strain. By aligning loan payments with their financial capacity, students avoid default and maintain good credit standing. One respondent shared,

“When I lost my job, I applied for a repayment extension, and it really helped me stay on track without financial stress.” Another student explained, *“Instead of ignoring my loan, I requested lower monthly payments based on my income. This made it easier for me to manage my finances.”*

These findings align with research by El-Shimy & Fahmy (2020), who found that Egyptian students who used deferment and restructuring options were better able to manage their loan obligations. In Rwanda, Ngabonziza & Uwayezu (2019) observed that students who actively engaged with their loan repayment options maintained lower

default rates and improved financial stability. In Kenya, Ochieng & Otieno (2021) found that HELB beneficiaries who utilized flexible repayment plans reported less financial distress compared to those unaware of such options. These studies highlight the benefits of proactive loan management and the importance of making repayment options more accessible to students.

4.3.4 Student Loan Management Performance

The study sought to evaluate students' loan management performance based on their repayment behaviors and financial literacy. The findings are presented in Table 7. The study found out that students generally struggled to make loan repayments on time as per the schedule, as indicated by a mean of 2.4697 and a standard deviation of 1.76652. The study revealed that students had a limited understanding of how to minimize their debt-to-income ratio, with a mean of 2.5025 and a standard deviation of 1.74805, the study found out that students had moderate confidence in their ability to manage student loans effectively, as reflected by a mean of 3.2045 and a standard deviation of 1.85174. The study revealed that students were not consistently reducing their outstanding loan balances, with a mean of 2.4848 and a standard deviation of 1.71435.

Moreover, the study found out that many students faced challenges in avoiding loan default despite planning efforts, as indicated by a low mean of 2.2045 and a standard deviation of 1.71105. However, the study revealed that students believed financial literacy had contributed to improving their loan management skills, as shown by a mean of 3.0985 and a standard deviation of 1.88072. The study further found out that students were moderately satisfied with their overall loan management practices, as reflected by a mean of 3.2702 and a standard deviation of 1.82673.

The majority of respondents struggled with timely loan repayments, minimizing debt, and reducing their loan balances consistently, indicating that financial literacy programs should focus more on practical debt management strategies to enhance repayment success and prevent loan default.

Table 7: Student Loan Management Performance

	N	Min	Max	Mean	Std. Deviation
I make my loan repayments on time as per the schedule.	396	1.00	5.00	2.4697	1.76652
I understand how to minimize my debt-to-income ratio.	396	1.00	5.00	2.5025	1.74805
I feel confident in my ability to manage my student loan effectively.	396	1.00	5.00	3.2045	1.85174
I am reducing my outstanding loan balance consistently.	396	1.00	5.00	2.4848	1.71435
I avoid defaulting on my loan repayments through careful planning.	396	1.00	5.00	2.2045	1.71105
I feel my financial literacy has improved my loan management skills.	396	1.00	5.00	3.0985	1.88072
I am satisfied with my overall loan management practices.	396	1.00	5.00	3.2702	1.82673
Valid N (listwise)	396				

Source: Field Data (2025)

Collaboration and benchmarking are essential strategies in improving students' academic performance. Schools that engage in collaborative efforts—such as partnerships with other institutions, knowledge sharing among teachers, and benchmarking best practices—tend to have better academic outcomes. Benchmarking allows schools to

compare their performance with high-achieving institutions and adopt effective strategies to enhance learning. This section explores key themes that emerged from the study regarding the role of collaboration and benchmarking in students' academic performance. Teachers who engage in professional collaboration—such as team teaching, peer mentoring, and lesson planning—report improved instructional effectiveness. Sharing knowledge and best practices enhances teaching methodologies, ultimately benefiting students. One teacher shared,

“Through collaboration with my colleagues, I have learned new ways of engaging students in class discussions, making my lessons more interactive and effective.” Another educator added, *“We hold regular meetings to review teaching methods, and this has helped us identify gaps and improve weak areas. As a result, our students' performance has improved significantly.”*

This finding aligns with research by Goddard et al. (2019), who found that collaborative teaching environments lead to higher student achievement due to improved instructional quality. Similarly, a study by Ronfeldt et al. (2018) in the U.S. indicated that teacher collaboration fosters professional growth and positively impacts student learning outcomes. In Kenya, a study by Nyaga & Gathumbi (2020) found that public secondary schools that encouraged teacher collaboration reported better academic performance among students compared to schools where teachers worked in isolation. These studies highlight the importance of teacher collaboration in enhancing instructional strategies and student success.

Schools that engage in benchmarking—by comparing their teaching methods, assessment techniques, and student engagement strategies with high-performing institutions—tend to improve their academic standards. One school administrator explained,

“After benchmarking with a top-performing school, we realized that frequent formative assessments and targeted revision sessions played a key role in their success. We adopted these strategies, and our students' grades have improved.” Another teacher noted, *“Visiting high-*

achieving schools opened our eyes to better classroom management techniques. We have since implemented new approaches, and the results are promising.”

This finding is supported by research from Tucker & Reynolds (2019), who found that benchmarking allows schools to identify and replicate best practices, leading to improved student outcomes. Similarly, in South Africa, Mokoena (2021) observed that benchmarking enabled schools in underperforming regions to enhance their teaching strategies, thereby boosting academic performance. In Kenya, Wanjiru & Kamau (2020) found that public schools that benchmarked with national schools experienced significant improvement in students' exam scores, demonstrating the value of learning from successful institutions. These studies reinforce the importance of benchmarking in educational improvement.

Engagement with external stakeholders—such as universities, NGOs, and private sector partners—provides students with mentorship, scholarships, and exposure to diverse learning experiences, which boost their academic performance. One student shared,

“Our school partnered with a local university for career mentorship, and it inspired me to work harder. I now have a clearer vision for my future.”
A school principal also noted, *“Through collaboration with NGOs, we have received resources such as textbooks and laboratory equipment, which have greatly improved our learning environment.”*

This theme aligns with research by Epstein (2018), who found that school-community partnerships play a significant role in improving student engagement and academic success. In Uganda, a study by Nakanjako & Kyagaba (2020) revealed that schools that collaborated with universities and organizations provided students with greater career exposure, leading to increased motivation and better academic outcomes. In Kenya, Mutua & Kinyanjui (2019) found that secondary schools with strong external partnerships had higher transition rates to tertiary institutions due to enhanced academic

guidance and resource availability. These studies highlight the impact of school collaborations in enriching student learning experiences and academic performance.

4.4 Inferential Statistics

4.4.1 Correlations

The study sought to determine the relationship between students' understanding of interest rates, financial planning, awareness of loan repayment options, and overall loan management. The results are presented in Table 8. The study found out that understanding of interest rates had a strong positive correlation with financial planning ($r = 0.922$, $p = 0.000$), awareness of loan repayment options ($r = 0.915$, $p = 0.000$), and loan management ($r = 0.787$, $p = 0.000$). This indicates that students with better knowledge of interest rates tend to exhibit stronger financial planning skills, greater awareness of repayment options, and more effective loan management.

The study revealed that financial planning had a very strong positive correlation with awareness of loan repayment options ($r = 0.937$, $p = 0.000$) and loan management ($r = 0.880$, $p = 0.000$). This suggests that students who engage in effective financial planning are also more aware of different repayment options and are better at managing their loans, the study found out that awareness of loan repayment options had a strong positive correlation with loan management ($r = 0.829$, $p = 0.000$), indicating that students who are knowledgeable about various repayment options tend to manage their loans more effectively.

The study further revealed that all the variables were significantly correlated at the 0.01 level (2-tailed), meaning that improving financial literacy in any of these areas would positively impact overall loan management. The majority of the respondents who demonstrated strong financial planning skills and higher awareness of repayment options

also exhibited better loan management, highlighting the crucial role of financial literacy programs in enhancing students' ability to repay their loans effectively.

Table 8: Correlations

		interest rates	financial planning	awareness	Loan management
interest rates	Pearson Correlation	1	.922**	.915**	.787**
	Sig. (2-tailed)		0.000	0.000	0.000
	N	396	396	396	396
financial planning	Pearson Correlation	.922**	1	.937**	.880**
	Sig. (2-tailed)	0.000		0.000	0.000
	N	396	396	396	396
awareness	Pearson Correlation	.915**	.937**	1	.829**
	Sig. (2-tailed)	0.000	0.000		0.000
	N	396	396	396	396
Loan management	Pearson Correlation	.787**	.880**	.829**	1
	Sig. (2-tailed)	0.000	0.000	0.000	
	N	396	396	396	396

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Field Data (2025)

4.4.2 Regression

The study sought to examine the predictive power of understanding interest rates, financial planning, and awareness of loan repayment options on overall student loan management. The findings are presented in Table 9. The study found out that the regression model had a strong explanatory power, with an R value of 0.883, indicating a high degree of correlation between the independent variables (understanding of interest rates, financial planning, and awareness of loan repayment options) and the dependent variable (loan management).

The study revealed that R Square was 0.779, meaning that 77.9% of the variations in student loan management can be explained by the three independent variables. The Adjusted R Square of 0.777 further confirms the reliability of the model by accounting for the number of predictors. The study further revealed that the R Square Change was 0.779, with an F Change value of 460.491, indicating that the regression model was statistically significant in predicting student loan management practices. The majority of the variance in student loan management is influenced by financial literacy factors, highlighting the importance of incorporating financial education programs in universities to enhance students' ability to manage their loans effectively.

Table 9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1
1	.883 ^a	.779	.777	4.06652	.779	460.491	3

Source: Field Data (2025)

4.4.3 ANOVA

The study sought to determine the statistical significance of the regression model in predicting student loan management based on understanding of interest rates, financial planning, and awareness of loan repayment options. The results are presented in Table 10. The study found out that the regression sum of squares was 22,844.823, while the residual sum of squares was 6,482.336, leading to a total sum of squares of 29,327.159. This indicates that a large proportion of the variance in loan management is explained by the independent variables.

The study revealed that the Mean Square for the regression model was 7,614.941, while the Mean Square for the residual was 16.537. The study further revealed that the F-

statistic was 460.491, with a significance level (p-value) of 0.000. Since the p-value is less than 0.05, the model is statistically significant, confirming that understanding of interest rates, financial planning, and awareness of loan repayment options have a significant influence on student loan management. The majority of the variance in loan management can be attributed to financial literacy factors, emphasizing the need for enhanced financial education programs to improve students' loan repayment practices.

Table 10: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	22844.823	3	7614.941	460.491	.000 ^b
	Residual	6482.336	392	16.537		
	Total	29327.159	395			

a. Dependent Variable: Loan management
b. Predictors: (Constant), awareness, interest rates, financial planning

Source: Field Data (2025)

4.4.4 Coefficients

The study sought to analyze the contribution of each independent variable understanding of interest rates, financial planning, and awareness of repayment options toward student loan management. The findings are presented in Table 11. The study found out that the constant ($\beta = 6.496$, $p = 0.000$) indicates that, when all other factors are held constant, the baseline loan management score remains at 6.496.

The study revealed that interest rates ($\beta = -0.151$, $p = 0.003$) had a negative and statistically significant effect on loan management, meaning that a better understanding of interest rates reduces loan mismanagement, likely due to informed borrowing and repayment decisions. The study further revealed that financial planning ($\beta = 0.719$, $p = 0.000$) had the strongest and most significant positive effect on loan management, implying that students who engage in effective budgeting and financial planning are more likely to manage their loans successfully, the study found out that awareness of

repayment options ($\beta = 0.096$, $p = 0.106$) was not statistically significant ($p > 0.05$), suggesting that while knowledge of repayment options is important, it does not independently contribute significantly to loan management. The majority of the findings indicate that financial planning is the most critical factor influencing loan management, reinforcing the importance of equipping students with budgeting and financial literacy skills to enhance loan repayment practices.

Table 11: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.496	.451		14.400	.000
	interest rates	-.151	.051	-.197	-2.978	.003
	financial planning	.719	.058	.949	12.394	.000
	awareness	.096	.059	.119	1.621	.106

Source: Field Data (2025)

4.4.5 Reliability

The study sought to assess the reliability of the research instrument used in measuring student loan management and its influencing factors. The findings are presented in Table 12. The study found out that the Cronbach's Alpha value was 0.964, indicating excellent internal consistency among the items used in the study. The study revealed that the Cronbach's Alpha Based on Standardized Items was 0.967, further confirming the reliability of the measurement scales.

The study further revealed that with four items analyzed, the reliability coefficient exceeded the acceptable threshold of 0.7, demonstrating a high level of consistency in the responses provided by the participants. The majority of the findings confirm that the

research instrument was highly reliable, ensuring the credibility and dependability of the data collected in this study.

Table 12: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.964	.967	4

Source: Field Data (2025)

4.4.6 ANOVA with Friedman's Test

The study sought to determine the consistency of responses across different factors influencing student loan management using Friedman's test. The findings are presented in Table 13. The study found out that the Friedman's Chi-Square value was 37.846 with a significance level of 0.000, indicating that there were statistically significant differences in the responses across the assessed factors. The study revealed that the between-items sum of squares was 555.810, with a mean square of 185.270, further confirming the presence of variations in how respondents perceived the different aspects of student loan management. The study further revealed that Kendall's coefficient of concordance (W) was 0.003, suggesting a weak agreement among respondents regarding the ranking of the factors assessed. The majority of the results indicate that there was a significant variation in perceptions of financial literacy, interest rates, and repayment strategies, highlighting the need for targeted financial education programs.

Table 13: ANOVA with Friedman's Test

		Sum of Squares	df	Mean Square	Friedman's Chi-Square	Sig
Between People		158216.472	395	400.548		
Within People	Between Items	555.810 ^a	3	185.270	37.846	.000
	Residual	16891.440	1185	14.254		
	Total	17447.250	1188	14.686		
Total		175663.722	1583	110.969		
Grand Mean = 19.8466						
a. Kendall's coefficient of concordance W = .003.						

Source: Field Data (2025)

4.5 Discussion of findings

This section discusses the findings of the study in relation to the research objectives. The discussion integrates relevant literature to support the study's findings and provides an in-depth analysis of how different financial literacy aspects influence student loan management in universities.

4.5.1 Influence of Understanding of Interest Rates and Loan Repayment Terms on Effective Student Loan Management

The study established that students' understanding of interest rates and loan repayment terms significantly impacts their ability to manage student loans effectively. The findings indicated that students who had a clear understanding of loan interest rates, repayment schedules, and penalties for late payments were more likely to plan their loan repayment effectively and avoid default. However, a significant proportion of students lacked adequate knowledge of how interest accrues over time, leading to difficulties in managing their loans after graduation.

These findings align with research by Lusardi and Mitchell (2014), which highlights that financial literacy, particularly in understanding loan terms, plays a crucial role in

effective debt management. Students who comprehend interest rate calculations and repayment obligations are better positioned to make informed financial decisions and minimize loan-related stress. Similarly, Baum and Schwartz (2019) argue that a lack of understanding of interest rates contributes to loan mismanagement, as students may underestimate the total amount to be repaid, leading to financial strain post-graduation. The study found that universities that provided financial literacy programs on loan management had students who exhibited better financial behavior, including timely loan repayments and reduced cases of delinquency. This supports the findings of Fernandes, Lynch, and Netemeyer (2019), who assert that financial education improves students' financial decision-making, thereby enhancing their ability to manage debt effectively. Consequently, integrating loan-related financial literacy programs within university curricula could improve students' ability to manage their student loans efficiently.

4.5.2 Effect of Budgeting and Financial Planning Skills on the Management of Student Loan Repayment

The study revealed that budgeting and financial planning skills significantly influence students' ability to manage loan repayments effectively. Students who demonstrated strong budgeting skills were more likely to allocate funds wisely, prioritize loan repayments, and avoid unnecessary financial burdens. On the other hand, students who lacked budgeting skills often faced financial difficulties, leading to delayed or missed loan repayments. These findings are consistent with research by Mandell and Klein (2009), which indicates that individuals with strong financial planning skills are better equipped to handle their financial obligations, including loan repayment. Similarly, Hastings, Madrian, and Skimmyhorn (2013) argue that financial planning and budgeting skills help individuals avoid financial distress by enabling them to track expenses, plan for repayments, and make informed financial decisions.

The study found that students who engaged in proactive financial planning, such as setting aside savings for loan repayment during their studies, experienced fewer repayment challenges post-graduation. This supports the findings of Hilgert, Hogarth, and Beverly (2018), who emphasize that early financial planning reduces financial stress and enhances long-term financial stability. Encouraging students to adopt sound financial planning habits during their university years can, therefore, improve student loan repayment outcomes.

4.5.3 Impact of Awareness and Utilization of Various Loan Repayment Options on Loan Management Practices

The study established that awareness and utilization of different loan repayment options significantly influence how students manage their loans. Students who were well-informed about repayment options, such as income-driven repayment plans, loan forgiveness programs, and refinancing options, were more likely to select repayment strategies that suited their financial situations. However, many students lacked knowledge of the available repayment options, leading to difficulties in managing their loans effectively. These findings align with research by Dynarski and Scott-Clayton (2013), which highlights that students who are aware of various repayment options tend to make better financial decisions and experience fewer loan repayment challenges. Similarly, Gale and Levine (2018) argue that a lack of awareness of repayment options contributes to financial distress among borrowers, as they may fail to take advantage of flexible repayment plans that could ease their financial burden.

The study found that students who actively sought information on repayment options from financial aid offices or online resources were better equipped to manage their loans effectively. This supports the findings of Collins and O'Rourke (2010), who emphasize that access to financial information empowers borrowers to make informed decisions,

ultimately improving loan repayment outcomes. Universities should, therefore, enhance financial literacy programs by educating students on the various loan repayment options available to them.



CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents a summary of the study, conclusions drawn from the findings, and recommendations for improving student loan management in universities. The chapter also includes suggestions for further research based on identified gaps. The study aimed to assess the influence of financial literacy on student loan management, focusing on understanding interest rates and loan repayment terms, budgeting and financial planning skills, and awareness and utilization of various loan repayment options.

5.1 Summary of Findings

This section presents a detailed summary of the key findings based on the study objectives, highlighting how each factor influences student loan management in universities.

5.1.1 Influence of Understanding of Interest Rates and Loan Repayment Terms on Effective Student Loan Management

The study established that a significant number of students lacked a clear understanding of the interest rates applied to their loans and the specific terms governing repayment. Many respondents admitted to not knowing how interest accrues over time, the implications of compound interest, or the penalties associated with late or missed payments. This lack of awareness resulted in financial mismanagement, leading to higher debt burdens upon graduation.

Conversely, students who had a strong grasp of interest rates and repayment terms demonstrated better financial responsibility, ensuring timely payments and reducing their overall debt burden. These students were more likely to make informed decisions

regarding borrowing, repayment schedules, and overall financial planning. The findings highlight the critical role of financial literacy in student loan management, as those with better knowledge of loan terms were more likely to avoid default and financial distress, the study indicated that financial institutions and universities did not provide adequate education on loan repayment, leaving many students unaware of the long-term implications of their borrowing decisions. This gap underscores the need for structured financial literacy programs that focus on student loans, interest rates, and repayment strategies to enhance students' financial decision-making capabilities.

5.1.2 Effect of Budgeting and Financial Planning Skills on the Management of Student Loan Repayment

The findings revealed that students who engaged in regular budgeting and financial planning were more successful in managing their student loans. These students allocated funds for loan repayments within their budgets, avoided unnecessary expenditures, and planned for future financial obligations. As a result, they experienced fewer difficulties in meeting repayment deadlines, reducing the likelihood of loan default.

On the other hand, students with poor budgeting habits struggled with financial constraints, often prioritizing immediate personal expenses over loan repayment. Many reported that a lack of financial planning led them to accumulate additional debts, making it harder to meet their repayment obligations. The study found that a lack of financial discipline and planning among students was a significant barrier to effective loan management, the study established that students who received financial literacy training or guidance from mentors, family members, or financial aid officers exhibited better budgeting skills and overall financial management. This finding underscores the importance of incorporating financial education programs into university curricula to

equip students with essential skills in budgeting, expense tracking, and long-term financial planning.

5.1.3 Impact of Awareness and Utilization of Various Loan Repayment Options on Loan Management Practices

The study found that many students were not fully aware of the different loan repayment options available to them. A significant portion of respondents did not know about flexible repayment plans, extended grace periods, or loan consolidation programs offered by financial institutions. This lack of awareness contributed to financial stress, as students struggled to meet standard repayment schedules without exploring alternative options that could ease their burden.

However, students who were well-informed about various repayment options demonstrated better loan management practices. They took advantage of options such as income-driven repayment plans, loan deferment, and refinancing to manage their financial obligations effectively. The study also found that students who actively sought out information on repayment options, whether from financial aid offices or online sources, were better positioned to navigate their student loan responsibilities.

The study indicated that universities and financial institutions needed to enhance their efforts in educating students on repayment options. Many students reported that they only became aware of alternative repayment strategies after experiencing financial difficulties, highlighting a gap in early financial education. The findings emphasize the need for proactive awareness campaigns to inform students about their repayment options before they enter repayment periods.

5.2 conclusions of the study

The study concluded that a lack of understanding of interest rates and loan repayment terms negatively impacts effective student loan management. Students who were well-informed about these aspects managed their loans better, leading to timely repayments and reduced financial stress.

The study concluded that budgeting and financial planning skills play a significant role in student loan management. Students who practiced effective budgeting were able to allocate funds efficiently and prioritize loan repayments, reducing the risk of default.

The study concluded that limited awareness and utilization of loan repayment options contributed to financial difficulties among students. Those with adequate knowledge of flexible repayment plans managed their loans better and minimized financial burdens.

5.3 Recommendations of the Study

The study recommended that universities, in collaboration with financial institutions, implement mandatory financial literacy programs. These programs should educate students on interest rates, loan repayment terms, and financial management to enhance their ability to manage student loans effectively.

The study recommended that universities integrate budgeting and financial planning courses into their curriculum. Workshops and training sessions should be conducted to equip students with practical skills in financial management, enabling them to allocate funds wisely and prioritize loan repayments.

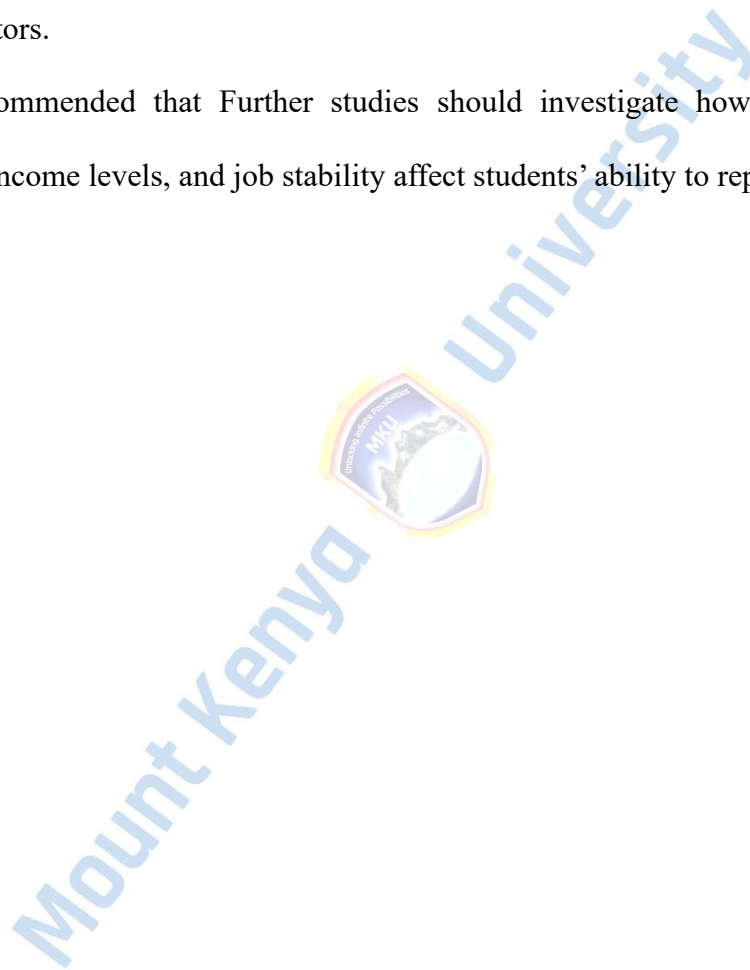
The study recommended that student loan providers conduct regular awareness campaigns on available repayment options, including flexible repayment plans and loan forgiveness programs. Universities should also establish financial advisory offices to assist students in making informed decisions regarding loan management.

5.4 Recommendations for Further Studies

The study recommended that Future studies should examine the effectiveness of various financial literacy programs in enhancing student loan management and repayment behavior.

The study recommended that Research should compare loan repayment practices among students in different universities, including public and private institutions, to identify key influencing factors.

The study recommended that Further studies should investigate how employment opportunities, income levels, and job stability affect students' ability to repay loans.



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APPENDICES

Appendix I: Introduction

KIMANI ISAAK MBUTHIA

P.O BOX, 342-01000

THIKA.

Dear Respondent,

REF: REQUEST FOR DATA COLLECTION

I am now pursuing a Master's Degree in Business Administration, Finance Option at Mount Kenya University, Thika Campus. I'm working on a proposal titled " IMPACT OF FINANCIAL LITERACY PROGRAMS ON STUDENT LOAN MANAGEMENT IN UNIVERSITIES: CASE OF MOUNT KENYA UNIVERSITY" Please complete the accompanying questionnaire to assist me in gathering the required data for this research.

I guarantee that the information you submit will be kept private and will only be used for academic reasons.

Please accept my heartfelt gratitude.

Yours faithfully,

KIMANI ISAAK MBUTHIA

Appendix II: Consent Form

Dear Participant,

I'd like to ask you to take part in a research proposal called (**IMPACT OF FINANCIAL LITERACY PROGRAMS ON STUDENT LOAN MANAGEMENT IN UNIVERSITIES: CASE OF MOUNT KENYA UNIVERSITY**): I'm writing my masters proposal while I'm enrolled at Mount Kenya University's (**MASTER OF BUSINESS ADMINISTRATION**) program. The investigational goal of the study is to: **(The purpose of this study is to examine the impact of financial literacy programs on student loan management among university students at Mount Kenya University.)**

It is entirely up to you whether or not you take part in this study. You may choose not to answer any questions at all or leave them blank. Beyond the dangers associated with daily living, there are no recognized risks associated with involvement. Your comments will be kept private and anonymous. The results of this study's data will be kept confidential and only given as a combined total. Your specific responses to this questionnaire will only be known by the researchers. You won't directly gain anything by taking part in this study. However, you could find it fascinating to discuss the difficulties raised in the study, and it might also be helpful to the industry and to students or other people in the future who have similar worries.

Please provide the most accurate responses you can to the questionnaire's questions if you accept to take part in this experiment. The completion time should be about seven minutes. To allow me to finish the project report, please return the questionnaire as soon as feasible.

Please feel free to contact the INVESTIGATOR if you have any queries regarding this proposal. Please contact the Ethics Review Committee, Mount Kenya University. P.O

Box 342-01000-Thika. Email: cgsr@mku.ac.ke. Tel: 254709153000, if you have any inquiries concerning your rights as a study participant.

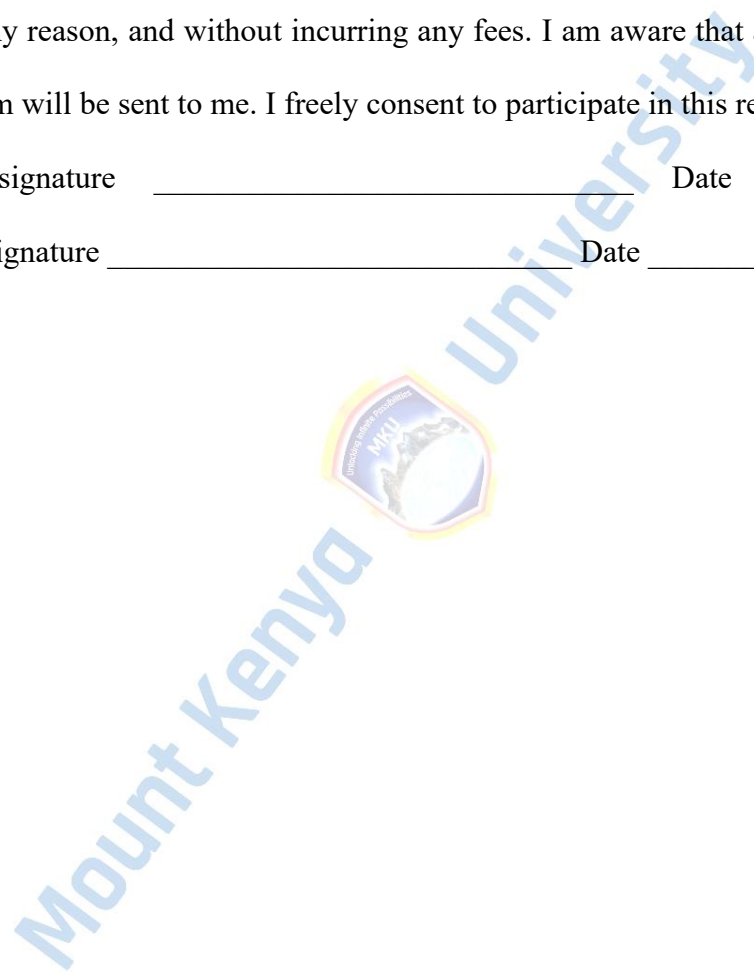
I appreciate your help with this crucial project.

CONSENT

I've read, understand, and have had a chance to ask questions about the material presented. I am aware that my participation is entirely optional and that I may stop at any moment, for any reason, and without incurring any fees. I am aware that a copy of this permission form will be sent to me. I freely consent to participate in this research.

Participant's signature _____ Date _____

Investigator's signature _____ Date _____



Appendix III: Questionnaire for Students

SECTION A: Background information

1. What is your gender?

Female

Male

2. Indicate your age bracket?

Below 18

18-22

23-27

28-32

Above 32

3. What is your year of study?

First Year

Second Year

Third Year

Fourth Year

Other (specify): _____

SECTION B: Interest Rates and Loan Repayment Terms in Student Loan Management

1. What is your level of agreement with the following statements on the influence on Interest Rates and Loan Repayment Terms on Student Loan Management?

(Scale: 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree).

Statements	1	2	3	4	5
I am confident in my understanding of how interest rates impact loan repayment.					

I regularly review my loan repayment terms to plan accordingly.					
I understand the effect of interest compounding on my overall debt.					
I can calculate the total cost of my student loan including interest.					
I am aware of how changes in interest rates affect my loan repayment schedule.					
I know the difference between fixed and variable interest rates in loan terms.					
I feel knowledgeable about penalties for missed loan repayments.					

SECTION C: Budgeting and Financial Planning Skills in Student Loan Repayment

2. What is your level of agreement with the following statements on the influence of Budgeting and Financial Planning Skills on Student Loan Repayment? (Scale: 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree).

Statements	1	2	3	4	5
I create a monthly budget to track my expenses and income.					
I prioritize loan repayment in my financial planning.					
I track my expenses to avoid unnecessary spending.					
I save money regularly to ensure timely loan repayments.					
I set financial goals to manage my loan effectively.					
I avoid borrowing beyond what I can repay based on my budget.					
I review my financial plan periodically to adjust for loan repayments.					

SECTION D: Awareness and Utilization of Loan Repayment Options on Student Loan Management

3. What is your level of agreement with the following statements on the influence of Awareness and Utilization of Loan Repayment Options on Student Loan

Management? (Scale: 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree).

Statements	1	2	3	4	5
I am aware of different repayment plans available for my loan.					
I understand the deferment and forbearance options for my loan.					
I have utilized flexible repayment options when necessary.					
I know how to apply for loan repayment adjustments based on income.					
I am aware of refinancing options for my student loan.					
I seek advice from financial advisors regarding repayment options.					
I believe that understanding repayment options helps me manage my loan better.					

SECTION E: Student Loan Management

4. What is your level of agreement with the following statements on Student Loan Management? (Scale: 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree).

Statements	1	2	3	4	5
I make my loan repayments on time as per the schedule.					
I understand how to minimize my debt-to-income ratio.					
I feel confident in my ability to manage my student loan effectively.					
I am reducing my outstanding loan balance consistently.					
I avoid defaulting on my loan repayments through careful planning.					
I feel my financial literacy has improved my loan management skills.					
I am satisfied with my overall loan management practices.					

THANK YOU

Appendix IV: Interview Guide for Finance Staff

1. How does your department ensure that students are informed about interest rates and their impact on loan repayment?
.....
.....
2. What challenges do students typically face in understanding loan repayment terms, and how do you address these?
.....
.....
3. What role does your department play in equipping students with budgeting and financial planning skills?
.....
.....
4. Based on your experience, how effective are students in applying budgeting skills to manage their loans?
.....
.....
5. How do you communicate the available loan repayment options to students, such as deferment or refinancing?
.....
.....
6. What feedback have you received from students regarding the utilization of these repayment options?
.....
.....

7. In your view, how effective are financial literacy programs in improving student loan repayment rates?


.....
.....

8. What improvements would you recommend to enhance students' ability to manage their loans effectively?

.....
.....
.....
.....



Appendix V: ERC Letter

**Mount Kenya University**

REF: MKU/ISERC/4815
TO: KIMANI ISAAK MBUTHIA

Date: 26 February 2025

REG: MBA/2023/67635

Dear Sir/Madam,

RE: IMPACT OF FINANCIAL LITERACY PROGRAMS ON STUDENT LOAN MANAGEMENT IN UNIVERSITIES: CASE OF MOUNT KENYA UNIVERSITY


This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **3537**. The approval period is **26/02/2025 - 25/02/2026**.


This approval is subject to compliance with the following requirements:


- i. Only approved documents including informed consents, study instruments, MTA will be used
- ii. All changes including amendments, deviations and violations are submitted for review and approval by **Mount Kenya University**
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to **Mount Kenya University** within 72 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be reported to **Mount Kenya University** within 72 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal
- vii. Submission of an executive summary report within 90 days upon completion at the study to **Mount Kenya University**

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) <https://research-partners.ac.ke> and also obtain other clearances needed.

Yours sincerely,



Dr. Alfred Owino, PhD
Chairman, Mount Kenya University-ISERC


MOUNT KENYA UNIVERSITY
P. O. Box 342-01000 THIKA
27 FEB 2025
DIRECTOR-
Graduate Studies
THIKA


MOUNT KENYA UNIVERSITY
ETHICS REVIEW COMMITTEE
P. O. Box 342-01000,
THIKA

Main Campus, General Kago Road, P.O. Box 342-01000 Thika.
Tel: +254 20 287 8000, Cell: +254 709 163 300
Email: info@mku.ac.ke, Web: www.mku.ac.ke
Chartered and ISO 9001:2015 Certified

Appendix VI: Introduction Letter


Mount Kenya University

DIRECTORATE OF GRADUATE STUDIES

MBA/2023/67635

27th February, 2025

*National Commission for Science Technology & Innovation (NACOSTI)
Off Waiyaki Way, Upper Kabete,
P.O Box 30623- 00100
NAIROBI, KENYA*

Dear Sir/Madam,



RE: KIMANI ISAAK MBUTHIA - REGISTRATION NO. MBA/2023/67635

The purpose of this letter is to introduce the above named student who is pursuing **Master of Business Administration** in the department of **Accounting and Finance** in the school of **Business and Economics**.

The title of the research is **"Impact of Financial Literacy Programs on Students Loan Management in Universities: A Case of Mount Kenya University."** It has been cleared by the University's Ethics Review Committee (Certificate attached) and now has to proceed to the field to collect data between **March, 2025 and May, 2025**.


Any assistance accorded to the student will be highly appreciated.

Thank you.



Dr. Samuel M. Karenga, PhD
Director, Graduate Studies
Enc.

Main Campus, General Kago Road, P.O. Box 342-01000 Thika.
Tel: +254 20 287 8000, Cell: +254 709 153 000


Appendix VII: NACOSTI Letter



NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Ref No: 618052
Date of Issue: 11/March/2025

RESEARCH LICENSE




This is to Certify that Mr. ISCAK KIMANI MBUTHIA of Mount Kenya University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Kiambu on the topic: IMPACT OF FINANCIAL LITERACY PROGRAMS ON STUDENT LOAN MANAGEMENT IN UNIVERSITIES: CASE OF MOUNT KENYA UNIVERSITY for the period ending :11/March/2026.

License No: NACOSTI/PP/25/416795

618052
Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

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See overleaf for conditions

Appendix VIII: Similarity Index

KIMANI ISAAK MBUTHIA

**INFLUENCE OF FINANCIAL LITERACY PROGRAMS ON
STUDENT LOAN MANAGEMENT IN UNIVERSITIES: CASE OF M...**

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 Mount Kenya University

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