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## Effects of Financial Planning Skills on Long Term Financial Performance of Athletes of Elgeyo Marakwet County, Kenya

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### **Abstract:**

*The specific objective of the study was to determine effects of financial planning skills on long term financial performance of athletes of Elgeyo Marakwet County, Kenya. The study provides strategies to enable athletes to plan, budget and visualize the future during their prime time of career and avoid woes that have trapped many retired athletes. Although planning can be approached differently by small business as compared to huge ones, the fact is that, planning must be exercised. For the purpose of this study, survey research was used. Study findings revealed that majority of respondents had poor financial planning skills and therefore the researcher concludes that the athletes should be trained on this to save the situation and future regrets.*

**Keywords:** *Investment skills. Long term financial performance*

### **1. Background to the Study**

All elite athletes need to develop a rigorous financial plan that takes into account their long-term goals and saving needs. The earning opportunity for athletes is brief and they should leverage them as much as possible while thinking about how to make that money last.

Athletes in Kenya have been receiving large amounts of monetary prizes after winning in various athletics events. Athletics is an important function in economic development of the country like any other business unit. The sector has raised the name of Kenya globally. When marketing Kenya, the sector has done well to uplift others such as tourism, hospitality industry, education, transport and farming. Athletics has proved to be an economic power house in North Rift, thus the need for financial planning skills.

#### *1.1. Statement of the Problem*

Most retired athletes in Kenya undergo numerous financial challenges even though they won huge sums of money locally, nationally and internationally during their hey days. High rate of poverty among them and many other socio-economic problems has been the song of the days. Consequently, many lives of athletes have been lost through drug abuse and death as a result of stress and depression. The researcher in this study set out to address the effect of poor long-term financial performance of athletes in ElgeyoMarakwet County.

#### *1.2. Objective and Justification of the Study*

The specific objective of the study was to determine effects of financial planning skills on long term financial performance of athletes of ElgeyoMarakwet County. The study provides strategies to enable athletes to plan, budget and visualize the future during their prime time of career and avoid woes that have trapped many retired athletes.

### **2. Literature Review**

#### *2.1. Financial Planning Skills*

Every business, large or small, must have a financial plan before each term's work. Although planning can be approached differently by small business as compared to huge ones, the fact is that, planning must be exercised. A fair summary of relevant research indicates that, in a dynamic small business, the planning function is given very little consideration while it may be the most important function that the managers have to perform (Walker & Petty, 2001). The financial planning process can be approached in different ways; however, the basic ingredients include forecasting, developing a course of action and generating projected financial statements associated with a given set of forecast and actions (Walker & Petty, 2001). Since long-term planning has been discussed under capital budgeting and financing decision-making, in this section, the focus will be on short-term financial planning. Gitman (2010) argues that the key aspects of short-term financial planning are profit planning and cash planning. Profit planning is done by compiling pro

forma financial statements such as income statements and balance sheets. Cash planning is done by generating a cash budget.

## 2.2. Long Term Performance

Performance management is also known as a process by which organization align their resources, systems and employees to strategic objectives and priorities. Performance management is often used in work place, can apply whereas people interact such as school, community meeting, sports, government agencies, social events or churches and even political settings. In the world people interact with their environment to produce desired effects.

### 2.2.1. Budgeting as Financial Skills

Ehrhard et al (2010) defined a budget as a financial statement which sets for the resources necessary to carry out activities and meet financial goals for a future period of time. Further, he notes that budgets provide a basis for evaluating actual performance and are important for controlling and monitoring institutional activities. Lynch, (1990) on the other hand defines a budget as plan expressed in dollars for the accomplishment of programs related to objectives and goals within a well-defined time period

According to Seitz and Ellison, (1999), the operating budget for any well managed organizations serves mainly as short-term planning and control tool. It also serves to evaluate management performance. Davies (2003) states that budgeting as a tool in financial management regularly prefers performance plans and budget requests that describe performance goals, measures of input and outcome in various activities aimed at achieving performance goals. This help in the sense that annual plans set forth in measurable terms form the levels of performance for each objective in the budget period.

Oluoch (2010) asserts that a budget, includes an estimate of resources required together with an estimate of resources available is usually compared with one or more past period and shows future requirements. Budget is an essential tool for planning and control resources of an organization for long term performance.

## 2.3. Conceptual Framework

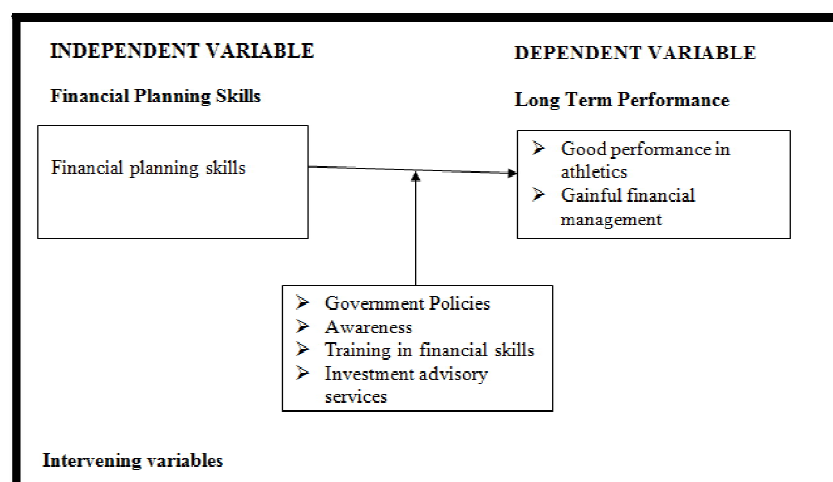


Figure 1: Conceptual Framework

### 2.3.1. Financial Planning Skills

Buying a car or that first home, comparing insurance rates, paying personal bills and balancing the checkbook are all matters of personal finance. The vast majority of consumers, however, learn these financial skills (Paul Strassel,2010); 'on the job.' While many succeed in managing their personal finances, others experience financial failure. Unfortunately, these failures can have harmful effects on local communities and the economy, as well as individuals and families.

When athletes venture to small business they may lack awareness of how to expand. Awareness has to be done for young athletes to know other sources of finance, accounting records, banking discipline, financial knowledge to prepare forecast financial statements and cash flows which can be presented to lenders.

## 2.4. Research design and Methodology

For the purpose of this study, survey research was used. Donald and Schindler (2003) pointed out that the strength of survey as a primary data collecting approach is its versatility. It does not require a visual or other objective perception of the information sought by the researcher. The target population was 300 former and current athletes equally from Marakwet East, Marakwet West, Keiyo North and Keiyo South. The sample was 30% of the target population, thus 100 athletes. The questionnaires and interviews were used in the study.

### 3. Data Analysis and Discussions

#### 3.1. Demographic Data of Respondents

The study sought to establish the age bracket of the respondents. The data on this aspect is presented in table 4.

	Frequency	Percent
Below 25 Years	5	5
26 -30 years	8	8
31 -35 years	24	55
36 -40 year	8	8
Above 40 Years	18	24
Total	63	100

Table 1: Age Bracket of Respondents  
Source: Field Data 2015

The findings of the study revealed that the majority of the respondents were those that fell under the age bracket 31 -35 years old who scored at least 55%, above 40 years had 24%, while those in 26-30 years and 36 -40 years bracket scored 8 % respectively. This implies that the majority of the respondents were at their prime age who need support on various financial management skills hence avoiding regrets at the old age.

#### 3.2. Contribution of Financial Planning Skills on Long Term Financial Performance of Athletes

Furthermore, the study sought to establish how long the business enterprise had been in operation. Data on this aspect are presented in Table 2

	Frequency	Percent
8 Years	5	8
20 Years	8	13
5 Years	5	8
10 Years	45	71
Total	63	100

Table 2: Period of Business Enterprise Operation  
Source: Field Data (2015)

The findings established that majority of the business enterprises had been in operation for at least 10 years thus scoring 71% followed by those that had existed for 20 years at 13%. Given the average of the respondents having been in business is twenty years or over, the researcher saw the need for them to be empowered with financial management skills to ensure long term continuity and performance of the very enterprises. The study sought to establish whether the respondents use cash service during their various business financial transactions and the results were as below:

	Frequency	Percent
Yes	60	95
No	3	5
Total	63	100

Table 3: Do You Use Cash Services  
Source: Field Data (2015)

The findings established that majority commonly use cash services at 95% unlike only 5% who do not rely on cash services. The implication of this finding is that athletes exposes themselves to risk of burglary. This shows the need for training athletes on cash management skills.

The study sought to establish whether the respondents usually prepare personal budgets and the results are as follows:

	Frequency	Percent
Yes	5	8
No	58	92
Total	63	100

Table 4: Prepare Personal Budget  
Source: Field Data (2015)

The findings established that 92 % do not prepare personal budgets while only 8% do. This according to the researcher could imply that the very majority of athletes work on assumptions and impulse buying and expenditure which is a clear indication of poor financial management skills.

The study sought to establish whether the respondents do file their income taxes to revenue office.

	Frequency	Percent
Yes	5	8
No	58	92
Total	63	100

*Table 5: File own Income Taxes  
Source: Field Data (2015)*

The majority of respondents at 92% did not file own income taxes and only 8% did so and thus the government was losing a lot of funds in such eventualities.

	Frequency	Percent
Full understanding	8	13
Little understanding	5	8
No understanding	50	79
Total	63	100

*Table 6: Knowledge on Drafting Business Plan, Cash Budget, and Other Documents  
Source: Field Data (2015)*

The findings revealed that majority of the respondents at 79% had no understanding of Drafting Business Plan, Cash Budget, Profit and Loss Account, Balance Sheet, Financial statements analysis, Calculation of break even, management of Cash, management of receivable and use of computer spread sheet on decision making, 8% had little understanding of these aspects and only 13% had full understanding of the same.

The study sought to establish what means or mode of transaction the respondents were using in selling goods and services.

The study sought to establish whether the respondents had knowledge on receivables accounts and decision making.

	Frequency	Percent
Very poor	5	8
Poor	50	79
Average	5	8
Very good	2	3
Excellent	1	2
Total	63	100

*Table 7: Knowledge on Receivable Accounts and Decision Making  
Source: Field Data (2015)*

The study findings revealed that majority had no knowledge on receivable accounts and decision making; poor scored 79%, while the rest of responses had 8% and less percentage.

#### 4. Summary, Conclusions and Recommendations

Upon further probing, it was revealed that none of the respondents had knowledge on how to prepare cash budgets, profit and loss account, balance sheet, financial statements analysis, break even analysis, cash management, use of spread sheets on computers for financial decision making and this situation poses a lot of risks for the business enterprises the athletes are involved in as far as its long term and good performance is concerned.

#### 5. Conclusions

Study findings revealed that majority of respondents had poor financial planning skills and therefore the researcher concludes that the athletes should be trained on this to save the situation and future regrets. Further looking at the intensity of the need and lack of long-term financial performance of respondents, the stakeholders ranging from all levels of government, non- governmental organizations and religious organizations should join together in order to enhance achievement of better financial management skills to citizens for the sake of good development and performance of the economy.

#### 6. Recommendations

The study further recommends financial institutions like local banks through their corporate social responsibility should give back to the community of Elgeyo Marakwet through training the athletes on business planning, preparation of cash budget, profit and loss account, balance sheets, and analysis of financial statements, calculation of breakeven points, cash management skills and receivables and finally how to make concrete informed financial decisions since majority of the athletes are their clients.

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