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Impact Of Financial Information On Individual Investor's Investment Decision

Kaleem Ullah *, University Institute of Management Sciences, PMAS-Arid Agriculture University Rawalpindi, Pakistan
Shahid Jan Kakakhel, Department of Management Sciences Islamia College Peshawar, Pakistan,
Noshaba Malik, University Institute of Management Sciences, PMAS-Arid Agriculture University Rawalpindi, Pakistan
Aniqa Fareed,University Institute of Management Sciences, PMAS-Arid Agriculture University Rawalpindi, Pakistan
Salma Rani,University Institute of Management Sciences, PMAS-Arid Agriculture University Rawalpindi, Pakistan
M.Tahir Zareen, University Institute of Management Sciences, PMAS-Arid Agriculture University Rawalpindi, Pakistan
Rabia Naseer, Department of Management Science Islamia College Peshawar

ABSTRACT
This study examines the relationship between financial literacy and investment decision of individual investors. Financial literacy of an individual's is their level of understanding of financial matters which enables them to process financial information and make informed decisions about personal finance. It is difficult for a common man to understand the risk associated with the new age financial products. In order to understand risk and return associated with these products, a minimum level of financial literacy is a must. Financially literate individuals can make effective use of these financial products and services by evaluating associated risks and returns and finally choosing those products which are best suited to them.A total of 267 responses from online survey were collected using the convenience sampling technique. The five-point Likert scale questionnaire was used alongside the SPSS software for data analysis. The study indicated a strong positive relationship between financial literacy and investment decisions. The results suggest that financial Knowledge, Financial Attitude and Financial skills have significant effect on the investment decision. The study recommended that more financial literacy programs should be organized by the financial institution to create awareness. The government should also include financial literacy in the educational curriculum of the basic or elementary schools and higher learning institutions.

Keywords: Financial literacy, investment decisions. Attitudes, Knowledge,Skills

Introduction
Financial literacy offered financial information approximately to firms and individuals. Financial literacy is precise supportive to improve financial as well as investment decision for individuals. As preceding research tell us about the problem of peoples who have less knowledge about financial literacy these problems comprise borrowing, investing, planning as well as saving. As financial field is altering and charming complex now as compared to preceding time period so the need of financial literacy is additional due to fluctuating of product and distinguish about the risk which is connected with product so for significant this every individual need financial literacy at minimum level so, financial literacy in entities is effective for meaningful product and investment**.**Research of finance educations after 1990s appeared as a new field of behavioral finance (Simon, 2000). Behavioralfinance is created by the mixture of interdisciplinary development of finance wherever psychologicalfactors are also familiarized. Moreover author (Shefrin, 2000) rapid behavioral finance as the psychological and sociological merger and communication with experts financial habits and consequences, He also express that error of our investor is the advantage of other investor. We conduct this research study in Rawalpindi and Islamabad and we analyses the factor related to investment decision and financial literacy on individual. Human behavior cannot be accomplished free from errors in judgment, known as biases (Shleifer, 2020). Moreover systematicalpeople trade off away from judgments and decision making so we used models like financial model and behavioralfinance which increase economic growth. So for economic growth and investment decision we can tell individual about financial literacy

so they predict and make better decision moreover individual can know about variables like risk, and investment and also the factors which affect decision of individual investor. Financial knowledge and literacy is independent and decision making is dependent variable. Moreover investors' performance also plays integral part in decision making method. Investment decision method is considered critical decision for each investor particularly when investing in equities as it includes high risk and the revenue (Tabassum and Pardhasaradhi, 2017).As financial literacy plays very significant role in economic growth and development of country. So through this paper we made an effort to know the relationship among financial knowledge or literacy and investment decision of individual investor.

As day by day the more financial products are developing in the market so here is a need of more thorough empathetic of financial knowledge for better decision making.As Pakistan is an underdeveloped country and the inhabitants of the country are not much aware of the financial knowledge as associated to the other developing countries like China and America. Especially the women's are ignorant of financial literacy as compared to men. In Pakistan there is a nonexistence of understanding about financial knowledge .To overcome this gap, there must be more work on exploring the information about financial products. Pakistan's economy has been rising slowly over the past two decades. Annual per Capita Income has regular only two percent and it is considering half of the south Asia countries. It is because of inconsistent microeconomic policies and asymmetric information.

To overcome all these curies there must be more information about the financial products .Try to aware persons of Pakistan more about financial markets so that those who want to invest cannot be hesitate .Those who only invest in harmless financial products also go for risk taking activities if there is proper knowledge .This study is of countless importance to the nominees since they study from know the degree into which financial knowledge, attitude, skills will impact on the investment decision through that is it improve their knowledge on the wise and more satisfying ways on investment decision made then, now and in the future.

Literature Review

In their experimental study on risk and return preferences of individual investors originate that investors behave rationally when they have financial literacy and captivating into account the investment's risk/return trade off. A moderately different financial sub-discipline, behavioral finance, has accomplished remarkable strides in amplification the behavioral aspects of investment decision. Behavioral finance is an education which has enlightened the character of behavioral features of investment decisions. In behavioral finance, financial markets are examined by models which are fewer slight than those given by (morgenstern, 2017).Research of finance studies after 1990s emerged as a new field of behavioral finance (simon, 2000). Behavioural finnance is originated by the mixture of interdisciplinaroy development of finnace wherever physchological factors are also familiarized. Moreover author (shefrin, 2000) express behavioural finnace as the phsychological and sociological amalgamation and communication with experts finnancial habits and consequences , He also express that error of our investor is the advantage of other investor. So removing error financial literacy is very important. In financial literacy when individual know about investment at that time he took decision of investment. Individual investors are individuals who are participating on their personal. Sometimes individual investors are termed as retail investors. According to (lin, 2020), individual investor is a individual that assigns capital with the probability of a future financial profit or to gain an benefit. These kinds of investments include: equity, debt securities, real estate, currency, commodity, token, derivatives such as place and call options, futures, forwards, etc. This description makes no difference among the investors in the primary and secondary markets. That is, somebody who delivers a business with capital and someone who buys a stock are both investors.Likewise, a study conducted in Tunisia which determined that small investor's base their choices on behavioral biases plus market efficiency (medhioub, 2021).Moreover (umer, 2021) emerges since the literature individual and even institutional investors consume incorporated heuristics or rule of thumb in the process of investment decision.

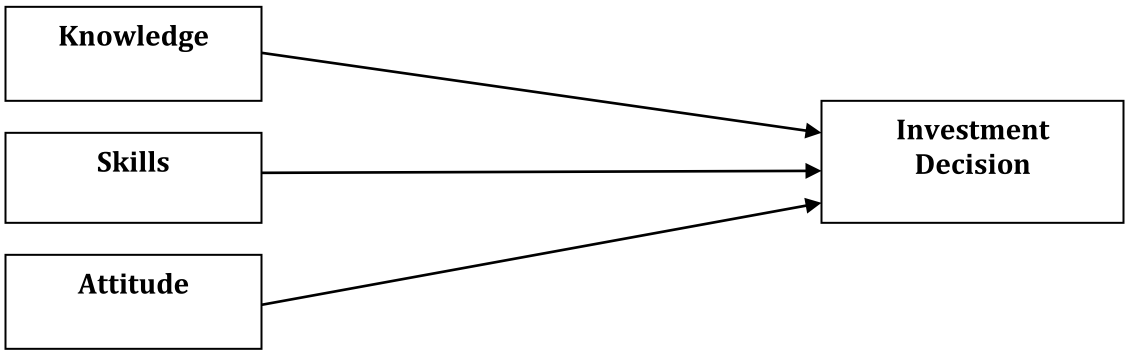
There are many investors (male as well as female) who avoid investing in the financial markets. The reason behind this reluctance of making investment decision in financial markets can be the lack of knowledge and lack of interest.(Ghulam Mustafa Shaikh, Naveeda Karim Katpar, Maryam Kalhoro, Yusira Kamal Abro, Ghulam Abbas Phanwar, 2019).The researchers showed factor analysis and developed three areas of financial literacy, namely, general financial matters, such as understanding compound interest; general investment matters, such as understanding the importance of diversification; and specific superannuation investment matters, such as the understanding of the relative risks and returns of investment options (Gallery et al., 2011).Gina, Akoto and Despard (2012) defines financial knowledge to mean the understanding of significant financial concepts such as inflations, interest rate computation and diversification of risk in portfolio. For one to invest wisely there is a need to be knowledgeable in financial matters.Understanding of financial knowledge is fundamental in deciding of whether to save or not. It has been observed that a household that lacks basic financial knowledge, savings behavior, investment decisions are done based on the basic rule of thumb (Musundi, 2014).Financial attitude involves the preference of one investment opportunity or project over the other. In particular, what is the perception an individual to choose an investment? Financial attitude refers to that state of mind or opinion and judgment about one's finances reflecting a position one has taken (Pankow, 2012). For example, one individual in the family may highly value children's education and hence have a very positive about educating them as opposed to any other investment.

Australian research that investigates financial literacy and investment choice decisions notwithstanding the important economic and social impact of retirement, there appears to be limited prior. Though there have been a growing number of financial studies of literacy and retirement decisions conducted in Australia in recent years, they have mainly been absorbed on retirement planning, portfolio allocation (Bateman, Louviere, Thorp, Islam, & Satchell, 2010) and savings intentions (Croy, Gerrans &Speelman, 2010).Doran et al. (2010) find that the professors' insight concerning market efficiency and the important optimal investment strategy are unrelated to their actual, realized behavior. The authors argue that the professors' investment decisions are, despite their high financial literacy, driven by behavioral factors comparable to amateur investors.

Financial literacy is the combination of investors' understanding of financial products and principles and their ability and dependability to consider financial risks and opportunities and make informed choices to take effective decisions aimed at improving their financial well-being (Ibrahim &Alqaydi, 2013).However, there have been current studies that questioned the effectiveness of financial literacy in improving financial decision-making (Fernandes, Lynch Jr, &Netemeyer, 2014; Miller, Reichenstein, Salas, & Zia, 2014).Lubis et al., (2015) examined the psychological factors which impact investment decisions. The study discusses the criteria for investment decisions from three dimensions, i.e. corporate data risk and repay. The study also considers the effect of personality traits, defense mechanisms, financial literacy and emotional intelligence on investment decisions. A total of 320 respondents were surveyed for data collection. The results suggest that all the independent variables influence investment decisions except emotional intelligence.Fedorova et al., (2015) examined the influence of financial literacy on the stock market. The study uses data from 1,006 participants. The survey instrument was used to collect data from the respondents. Demographic information such as, income, age, gender, education, job designation was sought from the respondents. The findings of the study suggest that financially literate investors participate proactively in the stock market. On the other hand, Potrich& Vieira (2018) analyzed financial literacy of respondents residing in cities of Brazil. The results suggest that financial literacy had a direct impact on compulsive buying behavior of respondents.

Financial attitude plays splendid role in financial well-being also. Positive financial attitude is possible through financial literacy and finally, positive attitude leads to financial well-being and economic empowerment of the individual. Financial is positively associated with financial knowledge (Soyeon Shim J. J., 2009).Conversely, less knowledgeable investors may avoid investing altogether. Arif (2015) found a causal link between low levels of financial literacy and stock market participation. They advocated for investor education programs (for private retirement plans) that target the least financially sophisticated segments of the population to address investors' reluctance to invest in the stock market. Increasing financial literacy skills may well be analytically important for financial and investment decisions.Roy and Jane (2018) further noted that when people become more experienced in financial matters, they increasingly become financially sophisticated and it is predicted that individual become more financially competent. However, in the present context, young people have financial knowledge but do not have the basic financial skills necessary to develop and maintain a budget, to understand credit, to understand investment vehicles, or to take advantage from the banking system (Lusardi, 2019; Rai, 2019; Saha, 2016; Singh & Kumar, 2017).

Theoretical Framework



Hypotheses Statements

To test the relationship of independent variable, Knowledge, Skills, Attitude, with dependent variable which is investment decision the hypothesis are stated. On the basis of literature review, the following hypothesis has been drawn:

H1: Knowledge has a positive and significant effect on investment decision.

H2: Attitude has a negative and not a significant effect on investment decision.

H3: Skill has a positive and a significant effect on investment decision.

Research Methodology

Population of the Study

Bougie, (2016) defines population as it refers to the entire group of peoples, events or things of interest that the researchers wish to investigate. It is the group of people ,events or things of interest for which the researcher wants to make inferences(based on sample statistics).A the definitions shows that population is actually the whole group may be whole city ,whole country or any institution from where the researcher want to conduct research. We are living in the Rawalpindi city and it will feasible for us to conduct research in the twin city of Pakistan which is Rawalpindi and Islamabad.

Sample Size and Sampling

Sample size is actually choosing the number of observations on which the research will be conducted. Sample size is determined by keeping in my cost time and convenience of collecting the data. When the total population size is unknown than according to Hair at al. (2014) the sample size should be at least 250. Therefore, this study collect data from a total of 250 respondents using judgmental sampling. Because the purpose of this research is making a judgment that financial knowledge effect the decision making or otherwise. Hence, we use sing judgmental sampling to distribute survey questionnaire among participants.

Instrument and Measures/ Research Tools

The research instrument will be the adapted questionnaire according to the given study. We will divide it into two sections .The first section of this part comprises of the demographic items that include the age, gender and investment experience in years .It also include the qualification of the respondent.The other section of the part consist of variables. In our study we will discuss five types of variables. One will be dependent and the other independent. Knowledge, Behavior, skills, attitude is independent variable and individual investment decision is dependent variable. In Questioner we add 5 question related each variable. We use copy of (Hamza, 2019) research questioner for our research survey. In the study.5-Point Likert scale will be used to gather data from the respondents.

Reliability analysis (Cronbach's alpha)

Reliability Statistics

Cronbach's Alpha	N of Items
.876	24

*Rule of thumb: Cronbach's alpha ≥ 0.50

The 72.6 percent of the respondents provided consistent feedback to the questions asked during study survey. This result verifies the reliability of instrument (questionnaire) applied to collect the data (since Cronbach's alpha ≥ 0.50).

Results and Discussion

Descriptive analysis of Study Variables:

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ID	263	1.00	5.00	3.6517	.57245
Attitudes	262	1.00	5.00	3.6107	.61041
Skills	257	1.00	5.00	3.6260	.54966
Knowledge	259	1.00	5.00	3.4569	.63096
Valid N (listwise)	250				

Table 4.1depicts mean of ID, Attitudes, Skills, knowledge are 3.6517, 3.6107, 3.6260,3.4569

Correlation-Table

Correlations

		ID	Attitudes	Skills	Knowledge
ID	Pearson Correlation	1	.728**	.583**	.503**
	Sig. (2-tailed)		<.001	<.001	<.001
	N	263	261	256	258
Attitudes	Pearson Correlation	.728**	1	.564**	.487**
	Sig. (2-tailed)	<.001		<.001	<.001
	N	261	262	256	257
Skills	Pearson Correlation	.583**	.564**	1	.622**
	Sig. (2-tailed)	<.001	<.001		<.001
	N	256	256	257	252
Knowledge	Pearson Correlation	.503**	.487**	.622**	1
	Sig. (2-tailed)	<.001	<.001	<.001	
	N	258	257	252	259

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

Pearson correlation test has been applied to test the relationship or any kind of association between all the variables and the results in the table 4.3 interpret that the association between Attitude, Skills, knowledge is less than 1, so it is highly significant result of correlation of these three variables because these three variables are independent variables and there is weak relationship among them. The association of investment decision with Attitude,Skills, knowledge is less than 1 as well and association of all independent variables are weak on the investment decision.

Regression Analysis

The best fitness of the model, we used Confirmatory factor analysis to construct validity and reliability of the instrument which has been used in the survey for the feedback from the individual investors of Stock Exchanges Pakistan. It estimates the dependence on one variable (dependent variable) on others (independent variables).

Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.774[a]	.599	.594	.36618

a. Predictors: (Constant), Attitudes, Knowledge, Skills

R2 is .599 which means model exhibit variation of just 59.9percent and according to the adjusted R2 exhibit variation in the model is just 0.594or 59.4 percent. The value of R2 is between the 1 to 100 percent, it assure how closely fitted data in the model. Value near to 100 percent is good for the reliable analysis and scatter will be close to the regression line.

CoefficientsTable

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.651	.168		3.883	<.001
	Knowledge	.095	.047	.105	1.999	.047
	Skills	.189	.058	.181	3.253	.001
	Attitudes	.553	.047	.592	11.856	<.001

a. Dependent Variable: ID

The relationship between the dependent variable and independent variable is significant and the relation is important and considerable because the probability value of t stats is less than 5%. As shown in the table 4.4 the level of significance is <.001, 0.47which is less than 0.05.Calculated values are also greater than 1.96 as well. T-statistics value predict the Knowledge,skills,Attitudes impact on investment decision and has significant impact on the investment decision with the coefficient of 0.095 Knowledge ,0.189 Skills ,0.553Attitudes which shows one factor increase in Knowledge,skills,Attitudes increase the positive impact of the 9.5%,18.9%,55.3% on the investment decision.

Hypothesis 1: Knowledge has a positive and significant effect on investment decision.

The first hypotheses of the study stated that financial knowledge had positively and significantly effect on investment decisions. Results of the study showed that there was a positive and significant relationship between financial management knowledge and investment decision (β= 0.784) thus the study accept the hypothesis. This implied that acquisition of financial knowledge increases the influence of investment decision by 0.095units.

Hypothesis 2: Attitude has a negative and not a significant effect on investment decision.

The second hypotheses of the study stated that financial attitude has negative and no significant effect on investment decision. The study found a positive and significant relationship between financial attitude and investment decision (β= 0.553) thus the study rejected this hypothesis. This implies that attitude increases the influence of investment decision by 0.553units.

Hypothesis 3: Skill has a positive and a significant effect on investment decision.

The third hypothesis stated that Skill has positive and significant effect on investment decision. Results of the study revealed that there is a positive and insignificant relationship between skills and investment decision (β= 0.189). The study therefore accept this hypothesis.

CONCLUSION AND RECOMMENDATION

The purpose of this study is to analyze the impact of financial literacy on investment decision of individual investors. This study is all about that how the financial literacy effect the investment decision. There are two variables are under consideration in this study, first is independent variables include Attitude, Knowledge and Skills and the other is dependent variable that is investment decisions.

The findings of the study show that acceptability and usage of financial literacy in making decisions is important. The study was on four research questions which sought to examine the effect of financial management knowledge, skills, and attitude on investment decision. Results of the study revealed that the research instrument was reliable since all the variables had reliability coefficient 0.875.Regression analysis was used to examine the nature of the relationship between financial literacy and investment decision. Regression analysis revealed that there was a positive and significant relationship between financial management knowledge and investment decision. Positive investment decision increased as the level of financial knowledge management increased. Descriptive analysis showed that most of the respondents were in control of their financial situation and they were capable of attaining their future financial goals. Regression analysis revealed that there was a positive and significant relationship between financial attitude and investment decision (β= 0.592). This implies that financial attitude increases the influence of investment decision by 0.592 units. In addition Rooij et al. (2007) found that financial literacy affects financial decision-making because individuals with low literacy are more likely to rely on other people as their main source of financial advice and are less likely to make informed investment decisions. The (β = 0.181) was reported in the path of financial skills. That means there is a positive significant relationship between financial skills and investment decisions.All other factors; financial advisors and analysts' recommendation, opinion of the business partners and recommendation from friends were acknowledged by defendants to influence their investment decisions. It is therefore recommended that these factors be taken into deliberation when planning financial literacy programmers by the financial organizations make for individuals to know that they have knowledge about investment. Last but not least, the study specified that a positive relationship between financial literacy and investment decisions. This means that the advanced one's knowledge in financial literacy for individual, the higher he invests. Hence, it is recommended that dealers take measures to educate themselves on financial issues since this will influence their decisions on investment of people.

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