THE EFFECT OF FINANCIAL LITERACY ON INVESTMENT DECISIONS IN THE JUBA CITY SOUTH SUDAN

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A RESEARCH PROJECTSUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF BUSINESS ADMINISTRATION, UNIVERSITY OF NAIROBI

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DECLARATION

This research project is my original work and to the best of my knowledge has not been presented in any institution or university for academic purpose(s).

Signed:…………………………………….. Date:……………………………..

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D61/74504/2014

This research project has been submitted with my approval as the University Supervisor.

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DEDICATION

I dedicate this research project to my parents. Because of your prayers I have been blessed, your love has kept me going strong, Grandma!

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LIST OF ABBREVIATION

APT	Arbitrage Pricing Model
ANOVA	Analysis of Variance
BSS	Bank of South Sudan
CAPM	Capital Asset Pricing Model
CBK	Central Bank of Kenya
CMA	Capital Markets Authority
EMH	Efficient Market Hypothesis
FDI	Foreign Domestic Investment
GDP	Gross Domestic Product
IPO	Initial Public Offer
SID	Society for International Development
SPSS	Statistical Package for Social Scientist
SSP	South Sudanese Pounds
UAE	United Arabs Emirates

ABSTRACT

The aimed at investigating the effect of financial literacy on investment decisions of employees of financial intuitions in South Sudan Juba City. The research study used a descriptive research design. The population of this study comprised of 28 Commercial Banks operating in South Sudan, 10 Micro Finance Institutions and 86 Forex Bureaus. The study used primary sources of data. Data was collected through the use of semi-structured questionnaires. Secondary data was obtained from internet, journals and newspapers. The responses to every question of the investment decisions dimensions were tabulated by use of analysis of variance and T-test techniques. The study carried out the measures of central tendency as descriptive statistics to describe the data. The study adopted a multiple linear regression model. Investment decision was the dependent variable independent variables were; spending patterns, savings literacy, debt management, retirement literacy, tax returns literacy. ANOVA (Analysis of Variance) showed the significance testing between and within Means of more than two observations. The study found that financial literacy at a very great extent influences entrepreneurs capability grasp advanced financial concepts such as risks & diversifications. The study concluded that financial literacy positively influences individuals' investment decisions. The study revealed that investment decisions positively correlate with retirement and savings literacy. The study recommended that employees at the financial institutions and related stakeholders in the economy should endeavor to improve their financial literacy skills in order to improve their personal wealth level. Also, the study recommended that retirement literacy and debt management need positive reinforcement(s) in driving positive growth in personal wealth. Finally, the study recommended that Tax returns literacy and spending patterns need close monitoring and control in personal wealth growth and management.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Investment decision consists of tradeoffs between individual's instant consumption and delayed consumption for a greater future consumption benefits (Reilly & Brown, 2006). Investment has been defined by both theoretical and empirical studies as the commitment of funds for a specified period by an investor with an expectation earnings returns. Popescu (2008) posits that investors are financial literate whereby they have sufficient information and knowledge about the financial products in the securities market. Financial literacy comprises of diverge areas of understanding (Barberis &Thaler, 2003).

Investors are presumed to be competent and rational thus make decisions based on their expected utilities. According Popescu (2008) investors are risk averse and their utility function is concave. According to Bernheim and Garrett (2003), share prices basically are set by rational investors and subsequently rationality grounded equilibrium is attained. Further, they stated that shares are priced in the equilibrium according to the efficiency of the market. A market is efficient whereby share prices incorporate all the accessible information and share prices represents true fundamental values. Reilly and Brown (2006) established that financial literacy have a significant effects on the behavior of households' investments and savings. Kuhberger, Schulte- Mecklenbec and Perner (2002) show that individual with more exposure to financial education in learning institutions or work environs tend to save more than those who lacked such exposure.

Kahneman and Tversky (1979) postulated that investors tend to act as risk averse when they predict gains and risk seeking when they predict losses. According to Markowitz (1952), investors operate in market which is characterized which has no transactions costs and no uninsurable risks. Further, Markowitz (1952) established that investors typically will tend to avoid unfamiliar financial products. Neumann and Morgenster (1953) showed tradeoff between risk and return and emphasized on diversified portfolio. Sharpe (1964) expound that investors are risk averse. He showed that the higher the risk the high the returns thus high risk shares subsequently should have higher expected return. Lintner (1965) assumed that market is efficient thus investors will tend to measure returns and risk by means and variances.

1.1.1 Financial Literacy

Financial literacy has significant impacts on saving and investing decisions by the households. Financial illiteracy results from lack of exposure to financial education (Sakakibara, 2000). Calvet et al. (2009) postulates that poor financial well-being of most individual is as an outcome of poor and unhealthy investment decisions such as portfolio apathy, failure to diversify and sale of winning stock while holding losing stocks. According to Rooij et al. (2009), individual who have a higher financial literacy will invest more in securities and plan for their retirement in the long run will have more assets than financial illiterates.

Lusardi and Mitchell (2007) postulated financial illiterates typically do not to plan for their retirement hence at the long run will have accumulated less wealth. According to Kuhberger, Schulte- Mecklenbec and Perner (2002), financial illiterates basically are governed by the basic rules of thumb. Popescu (2008) posits that investors are financial literate whereby they have sufficient information and knowledge about the financial products in the securities market.

1.1.2 Individual Investment Decisions

Investment decisions consist of choices of funds commitment in a specific asset in a predefined period with a high expectation to yield a high rate of return (Mishkin & Eakin, 2007). According to Reilly and Brown (2006), investors have a tendency of making investment decisions based on their expected utilities because they are rational and competent. Popescu (2008) defines an investment decision as involving selection on how to currently commit funds with an expectation of future flow of benefits.

Kuhberger, Schulte- Mecklenbec and Perner (2002) defined investment as an exchange of current funds for future benefits. Popescu (2008) explained that individuals will only invest in investments that that maximizes their satisfaction. Reilly & Brown (2006) postulated that the greatest tradeoff in the investing decision process is between return and risks. According Barberis and Thaler (2003), when stock prices go up overtime then investors will receive returns in the form of dividends. Investors' utility is maximized when they attain highest expected returns for a given variance (Mishkin & Eakin, 2007).

1.1.3 The Effects of Financial Literacy on Individual Investment Decisions

Various factors are linked to investment decisions and financial literacy including; income, employment and other wealth factors (Barberis &Thaler, 2003). Vidler (2004) stated that individual savings for retirement critical and complex. The decisions about retirement investments are embarked on by the fund managers. According to Al-Tamimi and Bin Kalli (2000), since retirement decisions are complex and very significant decisions on them requires professional skills and knowledge.

Popescu (2008) posits that investors are financial literate whereby they have sufficient information and knowledge about the financial products in the securities market. Monticone and Chiara (2010) established that individual's poor financial performance to a very great extent impacted by financial literacy. Kuhberger, Schulte- Mecklenbec and Perner (2002) show that individuals exposed to financial education in learning institutions or work environs plans and save more than those who lacked such exposure.

1.1.4 Juba City South Sudan

South Sudan is divided into ten states that were developed from three ancient provinces; Bahr el Ghazal (northwest); Equatorial (southern), and Greater Upper Nile (northeast). The states are subdivided into 86 counties. South Sudan is still developing given that it gained its independence in year 2011; therefore infrastructure is still poor and need immediate attention. Following signing of Comprehensive Peace Agreement (CPA) in 2005 many development activities have emerged. Juba was transformed to be the country's commercial hub. Even though Juba has become the country's commercial hub it has not attracted as many since the city is it at the development stages and businesses are currently setting shop in Juba city

1.2 Research Problem

Financial literacy involves the capabilities of making sound judgments and undertaking with regard to the management and use of finances (Barberis &Thaler, 2003). Numbers of studies have connected between financial literacy and investment decisions. Beal and

Delpachitra (2003) revealed that financial literacy influences individuals in making informed financial decisions thus minimizing chances of poor and bad investments. Rooij et al. (2007) established persons with low literacy typically will rely on other people who may mislead them thus making poor choices on investments decisions. Volpe et al (2002) concluded that financial markets are positively influenced by financial literacy. Popescu (2008) found that a market will operate efficiently where investors are financial literates.

In classical economic theory, it is assumed that investors are rational and competent. The theory assumes that investors have the same preference, perfect knowledge of all alternatives and an understanding of the consequences of their decisions. Markets are assumed to be efficient. Most Investors are typical of the small-scale or retail investing public in the securities market. They have some disposable income from salaries and income from small business activities. Investing in the securities market is an alternative to other ventures and a good alternative for that matter, since investors as public individuals would not be involved in the running of companies in which they own securities. Direct involvement in business by the public can sometimes compromise their integrity because of conflict of interest. There has been amplified eagerness in the securities market by individual investors in modern market. That enthusiasm is again fizzling out, with many companies recording net exit of individual shareholders.

Studies carried out in Greece (Merikas, Merikas, Vozikis& Prasad, 2003) focused on economic factors and individual investor behavior and dealt specifically with experienced investors while in Pakistan (Kaleem, Wajid&Hessain, 2009) impacts of financial advisors perception on portfolio management. Al Tamini (2004) and Sultana (2010) studied factors influencing individual investor behaviour in UAE and India respectively. Those that have taken place in Kenya such as Waweru, Munyoki and Uliana (1998), Wera (2006) and Mbaluka (2008) have all paid attention to the behavioural factors influencing investor decisions.

From the above, it is evidence that there has been no study carried out on the effect of financial literacy on individual investment decisions in the financial institutions in Juba City South Sudan. This sought therefore intended to fill this gap by answering the following research question; What is the effect of financial literacy on the investment decisions in the financial institutions in Juba City South Sudan?

1.3 Objective of the Study

The study aimed at investigating the effect of financial literacy on investment decisions in Juba City South Sudan.

1.4 Value of the Study

To academicians, the study will provide basis upon for further studies financial literacy and investment decisions. This study will contribute to the literature on effects of financial literacy on investment decisions of financial institutions in South Sudan where very little is known about its structure and application. This study will benefit investors that need to understand the importance of these securities as well as the gains that result in investing.

The study will fill the knowledge gap since this area has not been researched widely especially in South Sudan. To the Government, the study is useful in policy formulation regarding regulatory requirements of the national treasury and the states through the resulting findings.

This study will bring to light on the effect of financial literacy on individual investment decisions among Sudanese investors; hence creating awareness on why investing in the securities is of value, how much of it is on offer and if so what the subscription level is. Investment advisors will be able to advice clients in making investment decisions and inform them of its availability. Fund managers will also consider this investment option as part of their portfolio in line with their investment objectives and risk appetites.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter outlines the effect of financial literacy on individual investment decisions. The study is subdivided into sections; the first review on four theories that include, The Classical Theory of Portfolio, Portfolio Theory, Prospect Theory and Decision Theory. The other sections are on Empirical review, General literature review and finally on concussion of literature review.

2.2 Theoretical Review

Theoretical review seeks to find out what other scholars and researchers have found out in regard to the topic of concern. It deals with theories formulated that seek to answer pertinent questions on investments.

2.2.1 The Classical Theory of Portfolio

Classical portfolio theory as introduced by Markowitz (1952) assumes a market with no transactions costs; no uninsurable risks and investors have information asymmetry. The theory shows that investors typically will tend to avoid unfamiliar financial products. According Markowitz (1952), return on asset follows a stationary normal distribution. Reilly and Brown (2006) show that whereby investors are faced with similar return distribution and obtain similar information then in the equilibrium they will choose similar risky assets.

Popescu (2008) explain that investor’s attitude differences to risk significantly influences the distribution of assets between risky and safe but not specific asset chosen. Markowitz

(1952) asserts that investors' financial literacy is the key determinant of their demand for structured financial products. Barberis and Thaler (2003) show that investors who are more financially literate tend to can form more reasonable predictions about share prices movements. According to Reilly and Brown (2006), asset shares normally are independent of wealth whereby utility function has constant relative risk aversion.

2.2.2 Portfolio Theory

Neumann and Morgenster (1953) show tradeoff between risk and return and emphasized on diversified portfolio. Tobin (1958) explained that given that an investor is a one period utility maximize thus the investor should distribute his wealth amid several assets that are available in the market. A portfolio that maximizes assets' expected return is said to be efficient. The overall risk of the portfolio can be reduced by choosing assets that have low correlation with returns. Sharpe (1964) expound that investors are risk averse. He showed that the higher the risk the high the returns thus high risk shares subsequently should have higher expected return.

Lintner (1965) assumed that market is efficient thus investors will tend to measure returns and risk by means and variances. According to Mossin (1966), portfolios which are effective should rule over those that are ineffective since investors will prefer higher expected returns and lower risk. Ross (1976) explains that investors have a preference of more wealth to less wealth under uncertainty when the capital markets are perfect. Returns on assets are significantly influenced by series of factors common to all given assets and unique factors to a specific asset.

2.2.3 Prospect Theory

Advocated by Kahneman and Tversky (1979) prospect theory establishes two investors risk attitudes; risk aversion for gain and risk seeking for gain. According to them, investors evaluate stock market results that are merely possible in contrast with results that are attained with certainty. According to the theory, value is dispersed to gains and losses but not to the final asset. Thaler (1985) establish that decision weights replace probabilities. Further, Kahneman and Tversky (1979) established that preferences are greatly influenced by losses and disadvantages than gains and advantages. Reilly and Brown (2006) postulated that typically investors will hold losing shares hoping that eventually the prices will recover. Kahneman and Tversky (1979) see investors as placing their investments into subjectively separate mental cubicles and tend to react to the investments depending on the cubicles they are in.

2.2.4 Decision Theory

Decision theory was developed by Warner in 1968. It explains individuals' actions. The theory is classified to both prescriptive and a descriptive forms. Prescriptive form holds that individuals should select actions that will maximize their expected utility. Descriptive form asserts that individual do not select actions that will maximize their expected utility. Investment decisions are made by a variety of actors pursuing a broad range of objectives. These actors include individuals who want to maximize on return, and those that want financial freedom and independence (Roberts &Henneberry, 2007).

2.3 Determinants of Investment Decisions

2.3.1 The availability of financial information

Merika (2008) posit that financial information availability is significant variable that influences investment decisions. Availability of information determines investors' behavior on the selection of assets. Easley et al., (2010) found a significant association between information, expected returns and investment decisions. Gentry and Fernandez (2008) established that key sources of information are interviews with firm's management and firm's annual reports. Kiplangat et al., (2010) showed that investors are guided by availability of information in making decisions to invest in shares.

2.3.2 The availability of investment analysis tools

Investment analysis tools are important as they are fundamental in ascertaining external risks and share values thus influencing investor's decisions. Totok et al., (2007) established that investors in developing markets need particular metric tools to analyze and predict the value of shares.

2.3.3 The cost of the fund

Investors tend to choose actively managed funds instead of less expensive. According to Müller and Weber (2010), financial literacy positively influences investments in low-cost funds.

2.3.4 Level of development of the economy

Pierre-Guillaume & Weill (2010) write that financial intermediaries' development, except financial depth, is generally associated with greater efficiency. They have found, however, that this relationship is conditional on the level of economic development.

Hassan, Kabir, Benito, & Yu (2011) established that economic growth and financial development positively relates.

2.4 Empirical Review

Guiso, Haliassos and Jappelli (2003) show that financial wealth and stock market participation strongly relates in various developed nations. There are global evidence that various wealthy household don't invest in shares. Grossman and Stiglitz (1980) revealed that understanding constraints of market participation is very important for making policies intended to encourage diversification of asset portfolios. The main constraint is the awareness of the menu of assets available.

Merton (1987) examined effects of lack of information on investment opportunities. The study revealed that there may be absence of monetary transactions costs and even so choice of portfolio will be influenced by the specific asset menu known to each investor. He concluded that investors will only selects securities they know about. Grossman and Stiglitz (1980) and Verrecchia (1980) examined effects of asset returns information on portfolio choice. They established that financial information diminishes idiosyncratic uncertainty on returns.

Peress (2004) investigated influence of fixed entry costs on market participation. The study found that investors are aware of all available assets but can acquire information, improving the precision of their subjective expectations of asset returns.

Shiv (2008) investigated relationship between investors' emotions and investments behavior in California. The study used a sample of 34 individuals. The study revealed that decision making process is enhanced by emotions that are triggered by a given condition thus narrowing down option of reaction by forgoing those which are dangerous. The study concluded that moods and emotions significantly influence investors' behavior in selecting which assert to invest in.

Amisi (2012) investigated the effect of financial literacy on investment decision making by pension fund managers in Kenya. The study was based on a sample of 16 fund managers. The study revealed financial literacy and investment decisions have a significant relationship. The study concluded that financial literacy positively influences investment decision making

2.5 Summary of Literature

Typically investors are faced with challenging and complex financial instruments. Even though they are in charge of their financial security many of these investors are unequipped in making appropriate investment decisions due to financial illiteracy. Financial literacy to a very large extent influences investment decision making process. Though there seems to be disagreement among development economists about the relationship between financial development and economic growth it is agreeable that in the wrong run economic growth is positively influenced by financial development. (Easley et al., 2010). Few studies both internationally and locally have been established on the effect of financial literacy on investment decisions thus creating Knowledge gap. This study filled the gap by investigating the effect of financial literacy on investment decisions in the Juba city South Sudan

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides a discussion of the outline of the research methodology that was used in the study. It focuses on the research design, population, sample and sampling techniques, data collection methods and data analysis methods that were used in the study.

3.2 Research Design

The study adopted a descriptive survey in collecting the data from the respondents. Kothari (2004) defines a descriptive survey as a design that describes a phenomenon's characteristics of interest by providing factual findings. Descriptive survey was appropriate for this study as it intended to investigate the effect of financial literacy on investment decisions.

3.3 Population of the Study

The population of this study comprised of 28 Commercial Banks operating in South Sudan, 10 Micro Finance Institutions and 86 Forex Bureaus. The study thus looked at all the financial institutions.

3.4 Data Collection

The study used primary sources of data. Data was collected through the use of semi-structured questionnaires. Secondary data was also used in this study. Secondary data was obtained from internet, journals and newspapers.

3.5 Data Analysis

A total umber of 87 questionnaires was administered to the financial institutions in Juba city of South Sudan. The responses to every question of the investment decisions dimensions were tabulated by use of analysis of variance and T-test techniques. The study carried out the measures of central tendency as descriptive statistics to describe the data. The study adopted a multiple linear regression model. Investment decision was the dependent variable independent variables were; spending patterns, savings literacy, debt management, retirement literacy, tax returns literacy. ANOVA (Analysis of Variance) showed the significance testing between and within Means of more than two observations.

3.6 Analytical Model

The model specification is as follows:-

$$\mathbf{Y=\alpha+\beta_1X_1+\beta2X_2+\beta_3X_3+\varepsilon.}$$

Where;

Y = Investment Decisions

α = Constant Term

β_1= Beta Coefficients

X_1= Financial Literacy

X_2= Income

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter discusses the data analysis done, results and discussion. It covers the response rate, data validity, the descriptive statistics, and correlation and regression analyses.

4.2 Response Rate

The study relied on collecting data from 87 sampled employees. Questionnaires were distributed to the target elements but only 40 returned their responses. This represents a 46% response rate.

4.3 Data Validity and Reliability

The researcher adopted the Cronbach Alpha to assess reliability of data collected. A Cronbach Alpha of above 0.70 indicates a reliable collection instrument and internal consistency and is used where the Likert scale is used in a questionnaire (Mugenda and Mugenda, 2003).

Table 4.1: Data Reliability Statistics

Cronbach's Alpha	N of Items
.781	40

Source: research findings

The table above shows a 0.781 Cronbach alpha. The researcher notes that the low score might have been due to the data collection questionnaire using mixed type of questions. The questions used likert scale questions in part. The 0.781 alpha indicates that the data collection instrument had some room for improvement to improve on internal consistency. The test for multicollinearity among the independent variables was also undertaken.

4.4 Study Statistics

This section has two sub sections: descriptive statistics and demographic statistics.

4.4.1 Descriptive Statistics

This section discusses each study variable mean, standard deviation, kurtosis and skewness. Results are presented in Table 4.2 below.

Table 4.2: Descriptive Statistics

	N Statistic	Minimum Statistic	Maximum Statistic	Mean Statistic	Std. Deviation Statistic	Skewness Statistic	Kurtosis Statistic
have financial education	40	0	2	0.39	0.51	0.70	-0.94
have financial or accounting qualification	40	0	1	0.38	0.49	0.50	-1.79
savings literacy	40	0	5	3.35	0.91	-0.48	1.06
retirement literacy	40	1.33	5	3.41	0.93	0.05	-1.01
tax returns literacy	40	1	5	3.84	1.08	-0.94	0.37
debt management	40	0	5	3.99	1.02	-1.52	3.07
spending patterns	40	0	5	2.86	1.06	-0.04	0.16
personal wealth	10	0	3.7	1.86	0.86	0.35	-0.39

Source: research findings

The savings literacy variable has a mean score of 3.35, standard deviation of 0.91, skewness of negative 0.475 and kurtosis of 1.0. Thus this variable affects personal wealth to a moderate extent; the responses are also slightly skewed to the left of the mean, but with existence of few outliers as indicated by the kurtosis of 1.0. The retirement literacy variable had a mean score of 3.41, standard deviation of 0.93, skewness 0.045 and kurtosis -1.008. This variable thus has similar effect on personal wealth as the savings literacy variable but the responses are skewed slightly to the right of the mean.

Tax returns literacy variable has a mean score of 3.84, standard deviation of 1.08, skewness -0.9 and .369 kurtosis. This implies that the respondents indicate that tax returns literacy has a great extent in affecting personal wealth, but slightly skewed to the left and few outliers exist. Debt management variable has a mean of 3.99,standard deviation 1.02, -1.5 skewness and 3.07 kurtosis. Thus debt management affects personal wealth to a great extent. There exist some outliers also, given the 3.07 kurtosis figure.

Spending patterns has a mean sore of 2.86, standard deviation 1.06, kurtosis of 0.155 and skewness -0.046. Therefore spending patterns have moderate extent in affecting personal wealth. The responses under this variable are slightly skewed to the left, few outliers also exist. Personal wealth variable has a mean sore of 1.86, standard deviation of 0.86, a positive 0.352 skewness and -0.39 kurtosis. Therefore the respondents have personal wealth in the range Sudanese Dollar 250,001 to 500,000. The responses curve is slightly skewed to the right but a few outliers exist to the left of the mean.

4.4.2 Demographic Statistics

Table 4.3: Demographic Statistics

		gender	working experience	position at work	age	marital status	highest education
N	Valid	40	90	88	92	90	92
Mean		0	9.9694	3	3	2	3
Median		0	8	3	3	2	3
Mode		0	0.25	3	3	2	3
Std. Deviation		0.5	8.4173	1	1	1	1
Variance		0.25	70.851	0	1	0	1
Skewness		0.202	0.916	-1.89	0.5	1.02	-0.03
Std. Error of Skewness		0.253	0.254	0.26	0.3	0.25	0.25
Kurtosis		-2.004	0.511	2.61	-1	4.05	-0.73
Std. Error of Kurtosis		0.5	0.50	0.51	0.5	0.50	0.50

Source: research findings

From the table above, the median and mode gender in the respondents was female. The mean, mode, and median work experience were 9.97, 0.25 and 8 years respectively. Position of work in the workplace had low level employees comprising the median, mean and mode. The median, mean and mode age bracket being 31-40 years employees. While the median, mean and mode marital status was the married respondents. The highest education among the respondents had graduates as the median, mean, and mode.

4.5 Regression Analysis and Hypotheses Testing

This section details the model summary results, the analysis of variance (ANOVA), and presents the model coefficients.

4.5.1 Model Summary Results

This section discusses the model summary results. The table below provides the model summary.

Table 4.4: Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.688[a]	0.287	0.05	0.842

Predictors: (Constant), spending patterns, savings literacy, debt management, retirement literacy, tax returns literacy
Source: research findings

The analysed data nearness to the best line of Z fit is measured by the R square statistic (Mugenda and Mugenda, 2003). Some researchers call this measure the coefficient of determination, also. The study model indicates an R of 0.688, R square of 0.287 and adjusted R square statistic of 0.05. Therefore 28.7% of the variations of the research data about the average is explained by the model. R coefficient indicates the correlation of the study variables.

4.5.2 Analysis of Variance

This section discusses the analysis of variance. The table below indicates the related summaries.

Table 4.5: Analysis of Variance

ANOVA[a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	**Regression**	**6.922**	**2**	**1.384**	**1.953**	**.034[b]**
	Residual	**60.966**	**37**	**0.709**		
	Total	**67.887**	**39**			

a. Dependent Variable: Investment Decisions

b. Predictors: (Constant), spending patterns, savings literacy, debt management, retirement literacy, tax returns literacy

Source: research findings

From the analysis of variance indicated under the table above, the F statistic is 1.953. The significance of the study model is 0.034. The analysis was undertaken at 95% level of significance. The 0.094 significance level is therefore outside the 0.05 confidence interval, thus the study model is thus insignificant. The predictors (independent variables) spending patterns, savings literacy, debt management, retirement literacy and tax returns literacy have an insignificant effect on the dependent variable investment decisions.

4.5.3 Model Coefficients

The model coefficients are presented as below:

Table: 4.6: Regression Model Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B
		B	Std. Error	Beta			Lower Bound
1	(Constant)	0.917	0.458		2.01	0.05	0.01
	savings Financial literacy	0.164	0.133	0.17	1.23	0.05	-0.10
	Income	0.058	0.131	0.06	0.44	0.04	-0.20

a. Dependent Variable: Investment decisions

Source: Research findings

Based on the table above, the below study model is obtained:

$$\mathbf{Y=0.917+0.164X_1+0.058X_2}$$

The researcher concludes that at the point where the independent variables are absent (all at zero), investment decisions by the financial institutions in South Sudan investment decisions shall be at a level of 0.917. A unit change in savings literacy leads to a 0.164 decrease/increase in investment decision by 0.058. A unit change in income leads to a 0.058 decrease/increase in investment decisions, with a significant 0.05 significance.

Table 4.7 Correlation Analysis

		Investment Decisions	Financial Literacy	Income
Pearson Correlation	Investment Decisions	1.000		
	Financial Literacy	0.572	1.000	
	Income	0.453	0.251	1.000

From the table above, the financial literacy has a strong positive significant correlation with all with investment decisions and income. The correlation between investment decisions and financial literacy was 0.572 while the correlation between income and investment decisions was 0.453. The correlation between income and financial literacy was 0.251.

4.5.4 Test of Multicollinearity

The problem of multicollinearity exists where the independent variables are highly correlated with each other, with coefficients higher than 0.80 (Mugenda and Mugenda, 2003). From the above correlations, there are no high correlations between the study independent variables. The independent variables only have positive correlations, but not very high. The researcher opines that the problem of multicollinearity is minimal.

4.6 Discussion of Research Findings

The sought to achieve a number of objectives. First, to determine the effect of financial literacy on the investment decisions of employees of financial institutions in South Sudan. Towards this objective, the researcher finds that the average employee at the financial institutions in South Sudan Juba has a graduate level of education. 62% of the employees however have never attended a financial education course nor obtained qualification in finance. Financial education, information, training, guidance, and instruction is a sure way of improving financial literacy (Brown et al., 2005). From this perspective therefore there is less than average financial literacy level among employees at the financial institutions.

Establishing the effect of retirement and savings literacy on personal wealth was another objective. The researcher finds these variables to have weak positive correlation with personal wealth; both also have positive coefficients in the regression model. This concurs with the proposition by Life Cycle Saving theory (Baum and Payea, 2004) that people save for retirement. On the effect of tax returns on personal wealth by the Judiciary employees in financial institutions, the research study finds that tax returns literacy has a weak significant positive correlation with personal wealth. This variable however has a negative 0.124 beta coefficient in the regression model. The study found debt management has a weak insignificant positive correlation with personal wealth. Spending patterns has a weak significant negative correlation with personal wealth, this study finds also.

The researcher also found that personal wealth has a 0.319 correlation coefficient with the financial literacy (measured by savings literacy, retirement literacy, tax returns literacy, debt management, and spending patterns). This indicates that personal wealth has a weak positive correlation with financial literacy.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents and explains the research findings summary, conclusions and recommendations. The limitations encountered are also highlighted and suggestions for further research made.

5.2 Summary of Findings

The research study findings can be summarized as follows: the median and mode gender in the respondents was female. The mean, mode, and median length of work service at the financial institutions were 9.97, 0.25 and 8 years respectively. The respondents' position at the financial institutions had low level employees comprising the median, mean and mode. The median, mean and mode age bracket being 31-40 years employees. While the median, mean and mode marital status was the married respondents and the highest education attained among the respondents had graduates as the median, mean, and mode.

About the dependent and independent variables, savings literacy had a mean of 3 and standard deviation of one, skewness of -0.475 and kurtosis of 1.0. The retirement literacy variable had a mean of 3 also and a standard deviation of 1, skewness 0.045 and kurtosis -1.008. Tax returns literacy variable had a mean of 4 and standard deviation of 1, skewness -0.9 and 0.369 kurtosis. Debt management variable had a mean of 4 also and standard deviation 1, -1.5 skewness and 3.07 kurtosis. Spending patterns had a mean of 3 and standard deviation 1, kurtosis of 0.155 and skewness -0.046. Personal wealth variable had a mean of 2 and standard deviation of 0.86, a positive 0.352 skewness and -0.39 kurtosis. From correlation analysis, the personal wealth variable had a weak positive but insignificant correlation with all independent variables except spending patterns variable.

5.3 Conclusion

Based on the findings summary presented above, the researcher concludes that financial literacy has a positive effect on investment decisions among the employees at the financial institutions in South Sudan Juba and the effect is significant. The R coefficient in the model is 0.688 and the analysis of variance (undertaken at 95 percent confidence level) shows a significance of 0.094. The study sought to achieve several specific objectives. One is the objective to establish the level of financial literacy among the employees; the researcher finds that said employees at the judiciary have some level of financial literacy. This is inferred from the finding that on average the personal wealth of the employees ranges Kenya shillings 250,001 and 500,000. The 39 percent of the employees also have financial education and 38 percent have finance or accounting qualification. Financial education and finance qualification form part of financial literacy.

The other objective was to establish the effect of retirement and savings literacy on personal wealth. The researcher concludes that retirement and savings literacy have weak positive effect on personal wealth. This is inferred from the correlation coefficients 0.23 and 0.19 with retirement literacy and savings respectively. The two variables also have positive beta coefficients in the regression model. Improvements in these two variables positively impact individual personal wealth, therefore.

The research study also sought to establish the effect of tax returns literacy on personal wealth. The researcher finds that tax returns literacy has a positive effect on personal wealth. The variable has a positive 0.02 correlation coefficient with personal wealth, but a negative beta coefficient in the regression model. Tax returns literacy therefore has a weak positive correlation with personal wealth. Variations in this variable also negatively impact the personal wealth. This variable therefore needs control by Judiciary employees so as to mitigate its effect on their personal wealth.

Debt management and spending patterns have mixed effect on personal wealth. Debt management positively correlates with personal wealth, with a weak positive correlation with personal wealth (correlation coefficient of 0.23). The beta coefficient in the regression model is a positive 0.205 also. Spending patterns however correlates negatively with personal wealth and has a negative beta coefficient in the regression model. The spending variable therefore has a negative effect on the individuals' personal wealth.

5.4 Recommendations

Based on the research study findings and conclusions made above, the research makes a number of recommendations. First, employees at the financial institutions and related stakeholders in the economy should endeavor to improve their financial literacy skills in order to improve their personal wealth level. Savings and retirement literacy and debt management variables have positive coefficients in the regression model; these variables need positive reinforcement(s) in driving positive growth in personal wealth. Tax returns literacy and spending patterns both have negative beta coefficients; these are recommended for close monitoring and control in personal wealth growth and management.

5.5 Limitations of the Study

The researcher encountered a number of limitations that hampered the effective accomplishment of the research objectives. First, financial resources available for the research study were a limiting factor. The researcher relied on personal finances to undertake the research study; this somewhat influenced the scope and the number of respondents sought. More funds availability would have enriched the study; as more respondents could have been sampled and studied.

Time was also another limiting factor. The study was undertaken within stipulated academic timelines as the research study was intended to fulfill academic course work requirements. The study also was limited in scope, having focused on financial institutions in South Sudan Juba therefore this limit the flexibility to generalize the study findings.

5.6 Suggestions for Further Research

This section provides any suggestions for further research. The research would recommend for a similar research study to be undertaken incorporating all financial institutions employees or replication of the study in another organization set up.

It would also be informative and insightful to undertake a study on the effect of financial literacy on personal wealth management. Financial literacy draws a lot from financial skills and knowledge gathered by persons over time and how the said skills and knowledge are utilized in wealth management by individuals, among others.

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APPENDIX I: QUESTIONNAIRE

PART A

Personal and Work Related Questions

1 What is your gender? Male [ ] Female [ ] (*Please tick where appropriate*)

2 How long have you worked at the Judiciary? ....

3 Kindly state your position at the Judiciary........................

4 Age: Below 21 [ ] 21-30 [ ] 31-40 [ ] 41-50 [ ] 51-60 [ ] Above 60 [ ]

5 Marital status: Single [ ] Married [ ] Divorced [ ] Widowed [ ]

6 What is your highest level of education attained?

High school [ ] Certificate/Diploma [ ] Graduate [ ] Post graduate [ ]

7 Have you ever attended a financial education course? Yes [ ] No [ ]

If yes, how many? ________________. Please elaborate:

____

_____________________________________.

8 Do you have any finance, business or accounting qualifications? Yes [ ] No [ ]

If yes, please list them

- ____
- ____
- ____

Please turn to the next page

PART B

Kindly indicate the extent of literacy of the following aspects of wealth management in your life. Use a scale of 1 to 5 where: *1 = not at all/not applicable; 2 = less extent; 3 = moderate extent; 4 = great extent; 5 = very great extent*

Investments and Savings	1	2	3	4	5
I have the ability to discern financial choices and discuss financial issues comfortably					
I can use combinations of skills, resources and knowledge to make financial decisions					
I can make informed effective financial choices					
I understand financial terms and concepts					
I do regularly check my bank statements for inconsistencies					
I balance my checkbook carefully					
I am conversant with my present rate of savings and wealth accumulation.					
Retirement					
I am aware of the performance of my investments outside of my retirement saving plans					
A disciplined approach to re-balancing my investment is very important					
I understand the importance of the Judiciary’s pension plan that provides adequate pension upon retirement.					

I have determined how much income I can expect on retirement.					
I am fully aware of the impact of inflation on my future retirement income					
I have adequate knowledge to allow me to manage my wealth upon retirement					
Tax Returns Literacy					
I understand the importance of paying taxes					
I am conversant with and utilize the various tax reliefs/rebates that I am entitled to when I am filing my tax returns					
Debt Management					
I appreciate the need to pay my debts in time					
I know the consequences of defaulting on a loan					
Personal loans offered by financial institutions in the market is a convenient tool for me to use- I can borrow for any reason at any point of time					
I am familiar with the benefits of paying my mortgage and hire purchase installments on time every month					
I am acquainted with the legal implications of bankruptcy					

Spending Patterns					
I make my shopping list before buying anything					
I stick to my shopping list when I am in a supermarket/shop or market					
I spend more than 50% of my income on food					
Transport consumes most of my income					

Please turn to the next page

SECTION C: INVESTMENT DECISIONS

The following are statements regarding an individual's personal wealth. Please select the most appropriate answer to each of the following questions:

Tick as appropriate

1 =KSH.0-250,000 **2** =KSH.250,001-500,000 **3**=KSH.500,001-750,000

4=KSH.750,001-1,000,000 **5**=more than KSh.1million

	1	2	3	4	5
ASSETS	KSh.0-250,000	KSh.250,001-500,000	KSh.500,001-750,000	KSh.750,001-1,000,000	More than KSh.1,000,000
Land					
Buildings					
Vehicles					
Investments					
Cash at bank					
Other assets					
LIABILITIES	KSh. 0-250,000	KSh.250,001-500,000	KSh.500,001-750,000	KSh.750,001-1,000,000	More than 1,000,000
SACCO loan					
Bank loan					
HELB loan					
Other Liabilities					