

Financial Literacy and other Factors Influencing Individuals' Investment Decision: Evidence from a Developing Economy (Pakistan)

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Abstract

This study is aimed at assessing the financial literacy of the individual investors in Pakistan. In addition, it examines the relationship between financial literacy and the influence of the factors that affect the investment decision. A modified questionnaire has been used to collect the data containing questions related to demography of the investors, factors affecting the investment decisions and financial literacy level of the individual investors at Karachi Stock Exchange the biggest exchange of Pakistan. The data was collected from 154 respondents. The results indicate that the financial literacy level of the investors is below average. There is a significant difference in financial literacy was found between the respondents regarding age, gender, work activity and marital status of the respondents. Finally, the results indicate that there is a negative significant impact of financial literacy on the sum of investment factors at 10% significant level. The most affecting factor is condition of financial statements and Firm status in industry. The current study is being done for the first time in Pakistan.

Keywords: Financial information, Literacy, Investments, Investors, Karachi Stock Exchange

JEL Classification: G02, G11

1. BACKGROUND OF THE STUDY

Financial literacy is defined as "Knowledge and understanding of financial concepts, and the skills, motivation and confidence to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve the financial well-being of individuals and society, and to enable participation in economic life." (OECD, 2013)

In the recent years Financial literacy has been the topic of greater interest, as financial markets have become complex and it has been difficult to make informed choices. The ultimate goal of financial stability can be achieved through financial literacy in developed nations and specially in developing nations. In Pakistan the necessity for financial literacy has been considered greatly. Inadequate financial knowledge and lack of understanding may put investors at risk as they may not take basic measures before they enter into a contract with financial service provider.

The scope of financial literacy is very broad. In developing countries financial literacy is relevant for the people who have limited resources and are at risk. It is necessary for an individual to have financial literacy to understand the significance of budgeting, managing cash flows and allocating assets meeting financial targets. (Seth, Patel & Krishnan 2011)

The lack of adequate financial knowledge and the ability to integrate with an inadequate level of understanding and diligence makes investors more vulnerable to fraud and imprudent investment decisions because they ignore the basic measures of caution before signing a contract with a financial services provider. Regional comparative statistics reflect that Pakistan has the lowest indicators of savings and investment, including insurance penetration and participation of pension and mutual funds. The country also has a low base of investors in the capital markets resulting low volumes and lack of liquidity.

The Karachi Stock Exchange and Security and Exchange Commission of Pakistan along with key financial market stakeholders held a nationwide investor education and awareness program for Pakistani investors aiming to make people aware of various financial products and increasing a saving culture in Pakistan. This study explores the financial literacy level of investors at KSE and other factors influencing the decisions of individual investors at KSE, helping the stakeholders to consider dimensions where the investors are needed to be educated so that they may consider different factors while investing in the market.

1.1 Objectives of the Study

- To examine *the financial literacy level of the investors at KSE.*
- To understand the relationship between financial literacy and factors influencing investment decisions.

1.2 Problem statement

In the recent years Financial literacy has been the topic of greater interest, as financial markets have become complex and it has been difficult to make informed choices. The ultimate goal of financial stability can be

achieved through financial literacy in developed nations and specially in developing nations. In Pakistan the necessity for financial literacy has been considered greatly. Inadequate financial knowledge and lack of understanding may put investors at risk as they may not take basic measures before they enter into a contract with financial service provider.

The scope of financial literacy is very broad. In developing countries like Pakistan financial literacy is relevant for the people who have limited resources and are at risk. It is necessary for an individual to have financial literacy to understand the significance of budgeting, managing cash flows and allocating assets meeting financial targets. Keeping the above significance in mind the problem statement of the study is stated as follows.

“To what extent the investors have financial literacy, whether there is any relationship between financial literacy and the influence of other factors affecting the investment decisions”.

1.3 Research Question

This study attempts to answer the following question

- What are the most influential factors that affect the investment decisions made by Pakistani investors?

1.4 Hypothesis

H1. The Pakistani investors' financial knowledge is well below the needed level.

H2a. There is a significant difference between the level of financial literacy of Pakistani investors based on their gender.

H2b. There is a significant difference between the level of financial literacy of Pakistani investors based on their age.

H2c. There is a significant difference between the level of financial literacy of Pakistani investors based on their employment status.

H2d. There is a significant difference between the level of financial literacy of Pakistani investors based on their workplace activity.

H2e. There is a significant difference between the level of financial literacy of Pakistani investors based on their education level.

H3. There is a positive significant relationship between financial literacy and investment decisions of Pakistani investors.

1.5 Research Methodology

1.5.1 Research Design

This study is explanatory in nature to examining the financial literacy level of the individual's investors at KSE (Pakistan's leading stock exchange) and understands the relationship between financial literacy and factors influencing investment decisions. Primary data collection was done and quantitative analysis has been done on the data.

1.5.2 Questionnaire Design

A structured questionnaire was used consisting of three parts. The first part consists of demographic profile of the respondents. The second part examines the factors that influence their investment decisions. The statement were consisted on Five-point scale measuring five main factors influencing investment decisions: 'Self-image/firm-image coincidence', 'Accounting Information', 'Neutral Information', 'Advocate Information', 'Personal Financial Needs'. The third part measures their financial literacy.

1.5.3 Sampling

The population consists of individual investors at Karachi Stock Exchange. The number of investors was determined by the annual report 2012 of CDC (Central Depository Company) available at (www.cdcpakistan.com). (Individual investor Accounts 47943+ Sub accounts 227616) Total account holders = 275559.

Sample Size:

$$SS = \frac{Z^2 \times (p) \times (1-p)}{c^2}$$

Where:

Z = Z value (e.g. 1.96 for 95% confidence level)

p = Percentage picking a choice, expressed as decimal (.5 used for sample size needed)

c = confidence interval, expressed as decimal (e.g. .04 = ± 4)

$$SS = \frac{1.96^2 \times 0.5 \times 1 - 0.5}{.08^2} = 150$$

Using above formula (www.surveysystem.com) we get our sample size equals to 150. However 300 questionnaires were distributed to the respondents of above 18 years of age investing at Karachi Stock Exchange.

154 filled questionnaires were collected which becomes the response rate of around 51% and reaches (rather crosses) out sample size found by above formula.

1.6 Significance

Our research will help Finance professionals in Pakistan understanding the relationship of financial literacy level of investors at KSE and the factors influencing the decisions of individual investors at KSE. The research will also help them to consider dimensions where they need to educate the investors so that they may consider different factors while investing in the market. The current study is being done for first time on KSE. As far as our investigation concerns such a study has never been conducted in Pakistan, regarding the relationship of financial literacy and factors influencing individual's investment decisions.

2. Literature Review

ANZ Survey (2003) defines about financial literacy *"The ability to make informed judgments and to take effective decisions regarding the use and management of money."* Present economy conditions have raised serious concerns about the financial security of investors, who lack the knowledge and resources to support the reversal of financial markets and leverage increases. The recent financial crisis highlighted the issues of making decisions of without proper tools (Angela, A. Parker and A. Yoong, J. 2009)

Financial education has become increasingly important requirement to work in the community and trends in the business processes and services. However, there is considerable interest in the field of financial education for individuals. Mason and Wilson (2000) have concerns about the ability of consumers to make effective decisions. The study indicates that the information used to decide about financial products is ineffective. Financial education is important on many levels (Widdowson and Hailwood 2007).

Financial education in many countries has been studied from different angles. Al-Tamimi and Kalli (2009) studies the strategies for financial education in the United Arab Emirates, the study found that in UAE investors are not financial literate at the sufficient level. They analyzed the financial literacy and the factors influencing the investment decision. They found that there is difference in financial literacy among the respondents based on their gender, age and education.

Merikas et al. (2011) examined 26 factors that affect individual investor in the Greek stock market algorithm using Varimax orthogonal rotation factor analysis. The results of their study of 150 respondents showed that most investors consider "profits for the company," "Statement of Accounts" and "permanent resident status in the industry." On the other hand, factors that are often ignored by investors in the purchase of an action is "membership in a political party," "statement of politicians and governments" and "friend and colleague recommendations."

Rashid and Nishat (2009) conducted a study of 300 private investors registered with 25 brokers at Dhaka Stock Exchange (DSE) in Bangladesh using factor analysis and regression analysis to explore parts of the market structure which can make investors satisfaction. In their study, it was found that most of the factors influencing considered by investors is the "business efficiency", "inflation", "quick and easy transaction", "transaction costs", "access the company and industry information", "quality of information" and "prior knowledge of securities." In their study four main factors, namely "investment research", "easy transaction", "information management" and "risk management" were extracted from 38 factors.

Chong and Lai (2011) studied the factors influencing the process of stock selection and how these factors are related to return with a sample of 199 in Malaysia. The results of the study showed that Malaysian customers paid little attention to "neutral information", which is formed by the strong contribution "Past performance of shares", "recent price movements" and "permanent resident status in the Industry". Other important factors are the main "financial information", "social relevance" and "recommendations of the lawyer."

Joshi et al. (2011) have attempted to examine the factors that affect the behavior of investors. They found results that investors in the city of Ahmedabad and Khambhat (Gujarat), mainly affected by factors that "the financial results for the company," "long-term performance of stock", "feel for the market stock", "is expected by the company (dividends, bonus shares, repurchase shares)", "reputation of the company", "movement of the stock market" and "affordable stock price." On the other hand, investors are less affected by factors such as "coverage in the press," "analytical report of the company", "corporate social responsibility of the enterprise" and "traded on various stock exchanges."

Al-Tamimi (2005) tested 34 items that were classified by five factors, examine their influence on the behavior of investors in the UAE financial markets. His study showed that the most influential in terms of their impact on investors' individual factors were "expected profit", "get rich quick", "stock market", "past performance of shares in the company", "state assets," and "create an organized financial market."

Bennet et al. (2011) investigated the perception of various factors affecting the selection decision by investors. In their study of 400 individual investors, who lived in Tamil Nadu, India, received structured questionnaires. Their results showed that private investors in India give much emphasis firms' return,

management quality and P/E ratio in decision-making choices. In addition, they examined the investors on demographic factors having a significant impact on investors' decisions to stock selection. The results of their study also showed that some factors are important given the choice of participating shares are significantly different between male and female investors.

Nagy and Obenberger (1994) analyzed 34 variables to examine how and to what extent these variables affect the investment decision of the investors. Factor analysis showed seven groups of variables related to the criteria for maximizing the classic wealth was the most important thing for investors. In addition, they tested seven variables to determine whether each of the variables are significantly different among investors about age, sex, marital status, education, occupation, home and annual income.

3. Analysis

3.1 Scale Reliability

Cronbach's alpha was used to check the Reliability. The test was performed on each construct separately. The following result shows the analysis. In general, the coefficient equal to or greater than .7 is considered as reliable. The output as shown in Table I indicated that all categories meet the acceptable level of 0.7 or higher except one that is advocate information which is less than 0.7.

Table I

CATEGORY	CRONBACH'S ALPHA
Self-image/firm image coincidence	.713
Accounting Information	.796
Neutral Information	.745
Advocate Information	.584
Personal Financial Needs	.718
Overall Cronbach's Alpha	.711

3.2 Descriptive Analysis

3.2.1 The profile of the study's respondents

The part I of the questionnaire was about the demographic profile of the respondents including Age, Gender, Education, Employment Status and workplace activity. Table II provides the frequency and percentage for the demography of the respondents. About 35 percent respondents were between the age of 18-25, 43 percent were between 26-35, 17% were between 36-45, 4 percent were between 46-55 and only around 1 percent were above 55. 72 percent were male respondents and 28 percent were female. About 53 percent were full time employees, 7.8 percent were part time employees, 15.6 percent were self-employed and 23 percent were unemployed, students or retired. 47 percent were related to banking, finance or investment field while 53 percent were related to the other fields. With respect to education 8.4 percent were having the intermediate level education, 46 percent were bachelors, 42 percent masters and around 4 percent above masters.

Table II

Characteristics	Frequency	Percentage
Age		
18-25	54	35.1
26-35	66	42.9
36-45	26	16.9
46-55	6	3.9
56-65	2	1.3
66 and above	0	0
Gender		
Male	111	72.1
Female	43	27.9
Employment status		
Full time	82	53.2
Part time	12	7.8
Self Employed	24	15.6
Student/Unemployed/retired	36	23.4
Work main activity		
Finance/Banking/Investment	71	46.1
Other	83	53.9
Marital Status		
Single	88	57.1
Married	66	42.9
Education		
Middle	0	0
Matric	0	0
Intermediate	13	8.4
Bachelors	71	46.1
Masters	64	41.6
Above Masters	6	3.9

3.2.3 Financial literacy level

The questions measuring financial literacy in many studies are basic. Most of the researches used 5-10 simple questions e.g Byrne (2009), Alexander et al. (1997) and Volpe et al(1996). As the questionnaire in this study was adopted from a previous study done by Al-Tamimi, he measured the financial literacy by asking 18 simple questions. The questionnaire had comprehensive questions covering main aspects of investment management. The following table III shows the overall scores of financial literacy. The output shows that around 43% is the average of correct answers which shows that the average is even less than 50%, which indicates financial literacy is at low levels. The expected adequate level of financial literacy was at least above 50% which is not found through analysis as we can conclude that the financial literacy of individual at KSE is below the needed level, confirming the H1 of the study. Table IV presents the percentage of each question answered correctly by the respondent in terms of score, sorted from highest to lowest score. Question no 7 which was related to compound interest being ranked 1, was answered correctly by most of the participants. The least correctly answered was Question no 1 about the index type of KSE-100. Overall there were there questions, question no 7, 16, 2, 15 and 8 answered correctly by more than 50% participants. And the rest were below 50%.

Table III

	Value	Percentage
Mean	7.78	43.2
Median	8.00	44.4
Mode	8.00	44.4
Minimum	2	11
Maximum	15	83.33
SD	2.918	

Table IV

Rank	Question	Question Subject	% Correct Answer
1	7	Compound interest	64.9
2	16	Transaction cost	63.6
3	2	Diversification Benefits	62.3
4	15	Closing Price of Share	59.7
5	8	Bonds	55.8
6	6	Bond interest rate	45.5
7	13	ROA and ROE	45.5
8	14	Mutual funds	45.5
9	18	Financial reports	44.2
10	12	Beta	42.9
11	9	Mutual funds returns	41.6
12	4	Stock Split	37.7
13	3	Market efficiency and technical analysis	36.4
14	5	Earning on investment	36.4
15	10	Stock returns	33.8
16	17	Settlement	31.2
17	11	P/E Ratio	18.2
18	1	Index type	13

3.3 Differences of financial literacy level based on demographic variables

One-way ANOVA was run to determine whether there is a significant difference in financial literacy among respondents regarding age, gender, employment status, education level and work activity testing H2a through H2f. The outputs of one-way ANOVA confirms that H2a, H2b, H2d and H2e while H2c and H2f are not confirmed. We can conclude that there is a significant difference in financial literacy among respondents regarding age, gender, marital status and work activity while there is no significant difference in financial literacy among the groups of respondents regarding education level and employment status see Table V.

Table V

Between groups	Sum of squares	df	Mean square	F	Sig.
Age	153.05	4	38.264	4.960	.001
Gender	45.35	1	45.35	5.484	.020
Employment	48.15	3	16.051	1.919	.129
Marital status	208.00	1	208.00	28.888	.000
Work Activity	75.289	1	75.289	9.325	.003
Education	52.870	3	17.623	2.115	.101

3.4 Financial literacy and investment decision

To test the last hypothesis that there is a positive significant relationship between financial literacy and investment decisions of the investors at KSE, simple regression was run. In the model, the dependent variable was the sum of investment factors and the financial literacy score as the independent variable. The output of linear regression shows that there is significantly negative impact of financial literacy on the sum of investment factors at 90% significance level. However, the r square is very weak as it is only .021 indicating that only 2.1% variation in the sum of investment factors is explained by financial literacy score. Hence we find the negative relationship hypothesis is rejected.

Furthermore, the output of the regression run on self-image/firm image coincidence factor shows significantly negative effect of literacy score at 90% significance level. Similarly accounting information and personal financial needs are negatively affected by financial literacy at 95% significance level. In contrast to above mentioned factors neutral information and advocate information are insignificantly affected by the financial literacy level. The possible justification of the findings can be that being at different level of financial literacy investors do not depend on a certain group of factors and make decision based on different factors from different groups of factors.

Table VI

<i>Category</i>	<i>Mean</i>	<i>S.D</i>
Self-image	3.62	.582
Accounting info	3.67	.558
Neutral info	3.57	.658
Advocate info	3.35	.652
Personal Financial Needs	3.53	.626

Table VII

<i>Dependent Variable</i>	<i>R²</i>	<i>Adjusted R²</i>	<i>SE of estimate</i>	<i>β</i>	<i>t</i>	<i>Sig.</i>
Sum of Factors	.021	.015	2.50360	-.146	-1.819	.071
Self-image/Firm-image	.020	.014	0.578326	-.141	-1.761	.080
Accounting information	.031	.024	0.5516083	-.175	-2.196	.030
Neutral information	.000	-.006	0.6602690	-.018	-.225	.823
Advocate information	.010	.003	0.6517665	-.100	-1.237	.218
Personal financial needs	.031	.025	0.6186810	-.176	-2.211	.029

3.4.1 Research Models

$$ID = \beta_0 + \beta_1 FL + e \dots\dots 1$$

$$SI = \beta_0 + \beta_1 FL + e \dots\dots 2$$

$$AI = \beta_0 + \beta_1 FL + e \dots\dots 3$$

$$NI = \beta_0 + \beta_1 FL + e \dots\dots 4$$

$$AI = \beta_0 + \beta_1 FL + e \dots\dots 5$$

$$PFN = \beta_0 + \beta_1 FL + e \dots\dots 6$$

Where

FL = Financial literacy score

ID = Investor's decision (sum of factors)

SI = Self image/Firm image

AI = Accounting information

NI = Neutral information

AI = Advocate information

PFN = Personal financial needs

4. Discussion, Conclusion and Future Research

4.1 Discussion

The study was initiated with the view that Financial literacy has been the topic of greater interest, as financial markets have become complex it has been difficult to make informed choices. The ultimate goal of financial stability can be achieved thorough financial literacy in developed nations and specially in developing nations. In Pakistan the necessity for financial literacy has been considered greatly. Inadequate financial knowledge and lack of understanding puts investors at risk as they may not take basic measures before they enter into a contract with financial service provider.

The lack of adequate financial knowledge and the ability to integrate with an inadequate level of understanding and diligence makes investors more vulnerable to fraud and imprudent investment decisions because they ignore the basic measures of caution before signing a contract with a financial services provider. Regional comparative statistics reflect that Pakistan has the lowest indicators of savings and investment, including insurance penetration and participation of pension and mutual funds. The country also has a low base of investors in the capital markets resulting low volumes and lack of liquidity.

The focus was mainly on the financial literacy level of the investors at KSE and the relationship between the financial literacy and factors influencing individual investor's investment decision as financial literacy could have an impact on investment decision factors and it would be of worth importance if a positive relationship had been found. Today many of the investors in Pakistan are having their investment at risk as the overall financial literacy is at the lowest level as indicated by the Visa international financial literacy survey 2011. In ability to achieve the sufficient financial literacy level may bring more consequences in the long run. Again it is worth observing that the average financial literacy score of our respondents is below 50% which

needs to be improved. We also find that there is a significant difference in financial literacy among respondents regarding age, gender, marital status and work activity while there is no significant difference in financial literacy among the groups of respondents regarding education level and employment status. Further we find significantly negative impact of financial literacy on the sum of investment factors. The possible justification of the findings can be that being at different level of financial literacy investors do not depend on a certain group of factors and make decision based on different factors from different groups of factors.

4.2 Conclusion

We can the evidence from the study, the financial literacy level of Individual investors and the factors influencing investment decision were examined. The finding can be reported as follows:

The financial literacy score were found below 50% which indicates a low level of financial literacy. The expected adequate level of financial literacy was at least above 50% which is not found through analysis as we can conclude that the financial literacy of individual at KSE is below the expected level. Most of the individual investors at KSE were found more aware of the compounding technique but they were least aware of the type of index of Karachi Stock 100-index. A significant difference in financial literacy was found among the respondents regarding age, gender, marital status and work activity. Hence we can conclude that older investor may have more financial knowledge than the younger ones as they are more experienced, males have more financial knowledge than female as in countries like Pakistan males are tend to be more financially aware than females. Similarly married people may be more experienced than singles and investors related to banking, finance or investment field tend to be more financially literate than those who work in other fields. We also found that there is significantly negative impact of financial literacy on the sum of investment factors at 90% significance level. The possible justification of the findings can be that being at different level of financial literacy investors do not depend on a certain group of factors and make decision based on different factors from different groups of factors. The most influencing factors were Condition of financial statements, Firm status in industry. Hence it can be recommended to the companies that investor tend to make their financial decisions influenced by the conditions of the financial statements of the firms and their status in the industry.

4.3 Future research

As the scope of the study was limited to Karachi Stock Exchange with a small sample a more comprehensive study can be conducted to cover the all stock exchanges of Pakistan as well as the money market. Furthermore an extended study can be conducted to measure the general financial literacy level of Pakistani citizens and factors influencing their investment decisions.

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Appendix

Questionnaire

Dear Respondent,

We are doing an independent study on “Financial Literacy and Factors Influencing Investor’s Decision” to fulfill the requirements of our MS Degree. Please contribute in our research by completing this questionnaire with great care and attention. The information you fill in this questionnaire will be used for academic purpose only and will never be disclosed to anyone.

Part I: Please tick the option that best describes your answer.		
1. Age:	<input type="checkbox"/> 18-25 <input type="checkbox"/> 36-45 <input type="checkbox"/> 56-65	<input type="checkbox"/> 26- 35 <input type="checkbox"/> 46-55 <input type="checkbox"/> 66 and more
2. Gender:	<input type="checkbox"/> Male	<input type="checkbox"/> Female
3. Employment status:	<input type="checkbox"/> Permanent full-time job <input type="checkbox"/> Self-employed (work on my own business)	<input type="checkbox"/> Permanent part-time job <input type="checkbox"/> Student/ Unemployed/ Retired
4. Marital Status	<input type="checkbox"/> Single <input type="checkbox"/> Married	
4. If you work, what is the company main activity:	<input type="checkbox"/> Finance / Banking/ Investment	<input type="checkbox"/> Others

Part II: Please indicate to what extent the following factors affect your investment decision based on the following scale:						
		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
No.	Statement	1	2	3	4	5
1.	Religious reasons	1	2	3	4	5
2.	Feelings for a firm's products and services	1	2	3	4	5
3.	Reputation of the firm's shareholders	1	2	3	4	5
4.	"Get rich quick"	1	2	3	4	5
5.	Firm status in industry	1	2	3	4	5
6.	Perceived ethics of firm	1	2	3	4	5
7.	Past performance of the firm's stock	1	2	3	4	5
8.	Reputation of the firm	1	2	3	4	5
9.	Increase of the firm's involvement in solving community problems	1	2	3	4	5
10.	Expected bonus shares	1	2	3	4	5
11.	The results of technical analysis	1	2	3	4	5
12.	Diversification purpose	1	2	3	4	5
13.	Broker recommendation	1	2	3	4	5
14.	Family member opinions	1	2	3	4	5
15.	Friend recommendations	1	2	3	4	5
16.	Opinions of the firm's majority stockholders	1	2	3	4	5
17.	Stock Marketability	1	2	3	4	5
18.	Expected corporate earnings	1	2	3	4	5
19.	Condition of financial statements	1	2	3	4	5
20.	Dividends paid	1	2	3	4	5
21.	Affordable share price	1	2	3	4	5
22.	Expected Dividends	1	2	3	4	5
23.	Government holdings	1	2	3	4	5
24.	Information obtained from the internet	1	2	3	4	5
25.	Fluctuation/developments in the stock index	1	2	3	4	5
26.	Coverage in the press	1	2	3	4	5
27.	Statements from government officials	1	2	3	4	5
28.	Current economic indicators	1	2	3	4	5
29.	Recent price movement in a firm's stock	1	2	3	4	5
30.	Financial advisors and analysts' recommendation	1	2	3	4	5
31.	Ease of obtaining borrowed funds	1	2	3	4	5
32.	Minimizing risk	1	2	3	4	5
33.	Expected Losses in international financial markets	1	2	3	4	5
34.	Expected Losses in other local investments	1	2	3	4	5
35.	Insiders' information	1	2	3	4	5
36.	Rumors	1	2	3	4	5
37.	Expected stock split or capital increase	1	2	3	4	5

Part III: For each of the following statements, circle the correct answer from the available choices.				
No.	Statement	True	False	Don't Know
1.	The Karachi Stock Exchange 100 index is type of price weighted index.	T	F	D
2.	When an investor diversifies his investments, the risk of losing money decreases.	T	F	D
3.	If market efficiency is considered weak (security prices don't adjust to reflect new relevant information), technical analysis would have little or no value.	T	F	D
4.	You own 1,000 shares of a company, which currently trades at Rs. 50 per share. The company has just announced a two-for-one stock split. Your shares after the activation of the decision worth Rs.100, 000.	T	F	D
5.	If an investment earns 10% per year, your money will be doubled after seven years.	T	F	D
6.	If interest rate rises, the bond prices fall.	T	F	D
7.	With compound interest you earn interest on your interest as well as on your principal.	T	F	D
8.	If you buy a company's bond, you own part of the company	T	F	D
9.	Mutual funds pay a guaranteed rate of return.	T	F	D
10.	Common stocks always provide higher returns than bonds or money market investments.	T	F	D
11.	If earning per share increases, the PE ratio is expected to increase as well	T	F	D
12.	Beta measures how responsive or sensitive a stock is to market movements.	T	F	D
13.	ROA and ROE are the most important measures of a company's overall performance.	T	F	D
14.	Investing in a mutual fund that holds a diversified portfolio of stocks protects your investment against market decline.	T	F	D
15.	The closing price a share in KSE represents price of last deal.	T	F	D
16.	Book value indicates the asset coverage that each equity share represents in the company	T	F	D
17.	In the T+3 settlement system, purchase and sale of securities is netted and the balance is settled on the third day following the day of trade.	T	F	D
18.	The public joint stock company has to publish its quarter financial statements 30 days from the end of the quarter.	T	F	D

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