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Assessing the Effects of Financial Literacy on Personal Investment Decisions: The Case of Stanbic Bank Zambia Limited

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ABSTRACT
Financial literacy is a crucial determinant of individual investment decisions, influencing risk assessment, portfolio diversification, and overall financial wellbeing. This study examines the effects of financial literacy on personal investment decisions, using employees of Stanbic Bank Zambia Limited as a case study. The research evaluates the relationship between financial literacy and investment decision making. A quantitative research approach was employed, utilizing structured questionnaires to collect data from 103 employees. The data was analyzed using descriptive statistics, Pearson correlation, and regressions analysis in SPSS. Findings indicate a weak but statistically significant positive relationship was observed between financial literacy and investment decision-making, suggesting that while financial knowledge enhances investment choices, other factors such as risk tolerance and economic conditions play a stronger role. The study recommends enhancing financial literacy programs with advanced investment education, behavioral finance training, and personalized financial advisory services. Future research should explore psychological and behavioral factors affecting investment decisions.

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KEYWORDS: Financial Literacy, Investment decisions, Stanbic Bank, Behavioral Finance.

INTRODUCTION

Financial literacy is a fundamental component of sound financial decision-making, influencing an individual's ability to manage personal finances, assess risks, and make informed investment choices. In today's dynamic financial landscape, individuals must possess the necessary financial knowledge and skills to navigate complex investment options and achieve financial stability. Financial literacy encompasses various dimensions, including understanding financial concepts, budgeting, saving, investing, and risk management, all of which contribute to an individual's well-being (Lusardi A. a., 2014). Investment decisions are shaped by multiple factors, including financial literacy, financial attitude, risk tolerance, income levels, and external economic conditions. Research suggests that individuals with higher financial literacy are more likely to engage in diversified investment portfolios and make informed financial choices (OECD, 2020). However, despite the growing emphasis on financial literacy, many individuals still struggle with making sound investment decisions due to limited financial knowledge and behavioral biases. This highlights the need for institutions, particularly financial service providers, to enhance financial literacy programs that empower individuals to make better investment choices.

This study explores the impact of financial literacy on personal investment decisions, focusing on employees of Stanbic Bank Zambia Limited. Given their direct exposure to financial services, bank employees are expected to have higher financial literacy levels compared to the general population. However, it remains crucial to assess whether financial knowledge translates into effective investment decision-making. This study examines the relationship between financial literacy and investment decisions.

A quantitative research approach was adopted, employing structured questionnaire to collect data from 103 Stanbic Bank employees. The data was analyzed using descriptive statistics, Pearson correlation, and regression analysis. The findings contribute to the existing body of knowledge on financial literacy and investment decision-making while offering insights for financial institutions to design targeted financial literacy programs.

BACKGROUND

Financial literacy plays a vital role in equipping individuals with the knowledge and skills necessary to manage personal finances effectively, including saving, budgeting, and investing (Lusardi A. a., 2014). With the increasing complexity of financial markets, individuals require a sound understanding of financial concepts to make informed investment decisions and achieve long-term financial wellbeing (OECD, 2023). In particular, employees in the financial sector, such as those in commercial banks, are presumed to possess a higher level of financial acumen due to their exposure to financial instruments and environments (Atkinson, 2012). However, evidence suggests that financial knowledge does not always translate into effective investment behaviors, highlighting the importance of studying financial literacy and its effects on personal investment decisions.

Problem Statement

Despite being employed in the financial institution, many bank employees may not necessarily possess adequate financial literacy to make sound personal investment decisions (Hung, 2009). While financial literacy is often assumed among finance professionals, there is limited empirical data to support this assumption, particularly in the Zambia context. Research done by 2020 Fin Scope Zambia reveals that only 23.6% of adults in Zambia are considered literate (Phyllis, 2024). Furthermore, the relationship between financial literacy and investment decision-making is not always straightforward as behavioral factors such as financial attitude, risk tolerance, and socio-economic conditions can moderate or even override the impact of literacy. Given the strategic role that financial literacy plays in personal and institutional success, this study aims to bridge the knowledge gap by examining the financial literacy levels of Stanbic Bank Zambia Limited employees and determining how this literacy affect personal investment decisions.

Objectives of the Study

1. To assess the level of financial literacy among employees of Stanbic Bank Zambia Limited.
2. To examine the relationship between financial literacy and personal investment decision-making among Stanbic Bank Zambia Limited employees.

Research Questions

1. What is the level of financial literacy among employees of Stanbic Bank Zambia Limited?
2. How does financial literacy influence personal investment decision-making among Stanbic Bank Zambia Limited employees?

LITERATURE REVIEW

Financial Literature and Its Importance

Financial literacy refers to an individual's ability to understand financial concepts to manage personal finances effectively (Lusardi A. a., 2014). It encompasses key areas such as budgeting, saving, investing, and risk management, which influence financial well-being (Huston, 2010). Studies indicate that financial literacy plays a crucial role in financial decision-making, affecting individuals' ability to plan for the future and make informed investment choices (OECD, 2020). However, the levels of financial literacy vary across different demographic groups, occupations, and income levels, necessitating targeted financial education programs.

Factors Influencing Financial Literacy

Several factors influence financial literacy, including education, income level, financial experience, and access to financial information (Remund, 2010). Formal education, particularly in finance and economics, has been positively correlated with higher financial literacy levels (Atkinson, 2012). Additionally, exposure to financial products and services, such as banking and investment tools, enhances financial knowledge (Lusardi A. , 2019). Behavioral and psychological factors, including cognitive biases and financial confidence, also play a role in shaping financial literacy levels among individuals (Fernandes, 2014).

Financial Literacy and Investment Decision-Making

Investment decisions are influenced by an individual's financial knowledge and ability to assess risk and returns. Empirical studies have found a positive correlation between financial literacy and investment decision-making, as financially literate individuals are more likely to engage in diversified investment portfolios and long-term financial planning (Van Rooij, 2012). Conversely, low financial literacy has been linked to poor investment choices, including overreliance on low-yield savings and lack of diversification (Lewis, 2012). In the banking sector, employees are expected to have higher financial literacy, yet there is limited research on whether this translates into better personal investment decisions.

Financial Literacy in the Zambian Context

Financial literacy in Zambia remains a growing area of interest, particularly in light of increasing financial inclusion initiatives. According to a 2019 study by the Bank of Zambia, financial literacy levels in the country are improving but still require significant enhancements to support informed investment decision-making. Previous research on financial literacy in Zambia has largely focused on the general population and small business owners, with limited studies exploring financial literacy among bank employees. Given that financial institutions play a central role in promoting financial literacy, understanding the financial knowledge and investment behavior of bank employees is critical for shaping effective financial education strategies

Conceptual Framework Graph

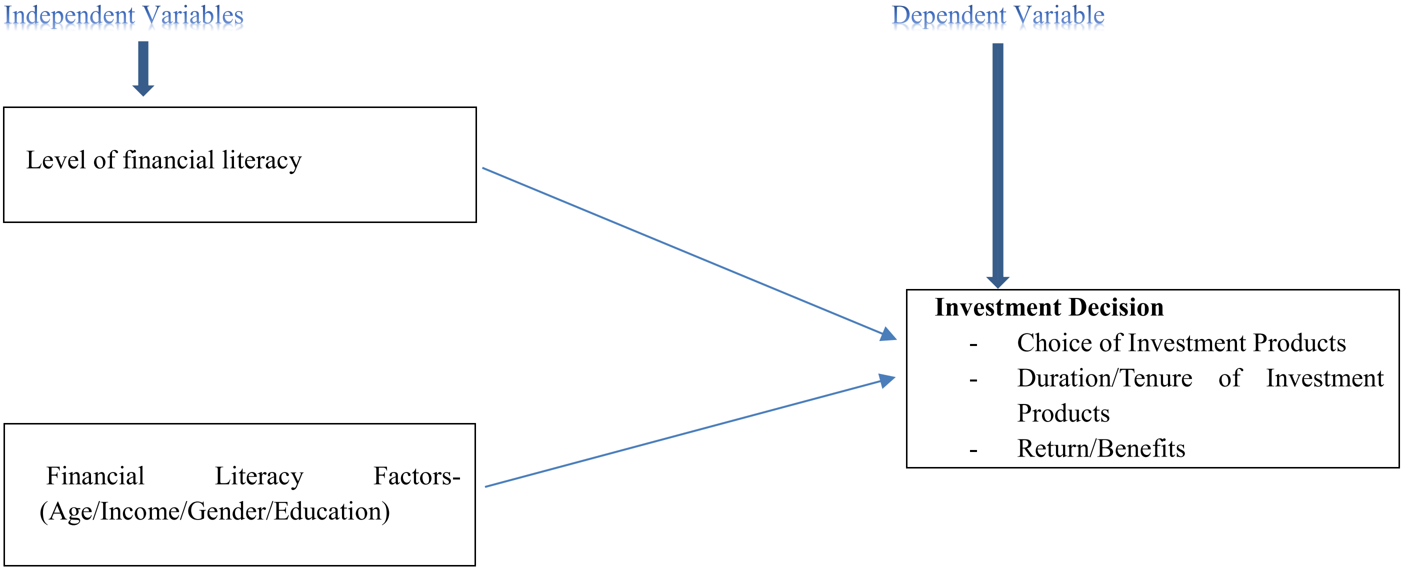

Figure 1

Based on the above conceptual framework, the following hypotheses were derived:

1. Null Hypothesis (H0): Financial literacy does not influence personal investment decisions.
2. Alternative Hypothesis (H1): Financial literacy influences personal investment decisions.

THEORETICAL FRAMEWORK

Decision Theory

Decision Theory, originally developed by John von Neumann and Oskar Morgenstern in 1944 and later expanded by Warner North in the 1960s, provides a framework for understanding how individuals make choices under uncertainty. It suggests that rational investors evaluate investment options based on expected utility and probabilistic outcomes (North, 1968). This theory aligns with financial literacy, as individuals with higher financial knowledge are better equipped to assess risks and potential returns, leading to more informed investment decisions. However, real-world investment decisions often deviate from purely rational calculations due to behavioral biases and emotional influences.

Prospect Theory

Prospect Theory, developed by Daniel Kahneman and Amos Tversky in 1992 but formulated in 1979, challenges the assumptions of rational decision-making illustrating how individuals perceive gains and losses asymmetrically (Chen, 2024). Investors tend to exhibit loss aversion, meaning they feel the pain of losses more intensely than the pleasure of equivalent gains. This can lead to irrational investment behaviors such as holding onto losing investment for too long or avoiding high-risk, high-reward opportunities. Financial literacy can mitigate some of these biases by providing individuals with the tools to make objective, data-driven investment choices rather than relying emotional reactions. Therefore, this theory is significant to this study because it explains how investors respond in diverse ways to similar situations, depending on how they are presented. Investors have the propensity to take up more risks to avoid potential loss than they are to make a gain (Musundi, 2014).

RESEARCH METHODOLOGY

This study employs a quantitative research approach to examine the impact of financial literacy on investment decisions among employees of Stanbic Bank Zambia Limited. The methodology consists of the following key components.

Research Design

A descriptive and correlational research design was adopted to assess the relationship between financial literacy and investment decisions. This design enables the quantification of financial literacy levels and their statistical correlation with investment decisions.

Population and Sampling

The target population for this study comprised of employees of Stanbic Bank Zambia Limited. From a total population of 140 employees under determination, a sample size of 103 was determined using the Yamane's formula. Probability sampling was employed using simple random sampling techniques to ensure representation across the branches within the bank.

Data Collection Method

Primary data was collected using structured questionnaires distributed to participants. The questionnaire consisted of closed-ended questions measuring financial literacy, investment decision-making patterns, risk tolerance, and demographic variables.

Reliability and validity

To ensure the reliability of the study, a pilot test was conducted on a small subset of participants before the full-scale data collection. The questionnaire’s internal consistency was measured using Cronbach’s Alpha. A value above 0.7 was considered acceptable for reliability. To enhance validity, the questionnaire was designed based on established financial literacy and investment decision-making frameworks. Content validity was ensured through expert review.

Data Analysis

Collected data was analyzed using SPSS software. Descriptive statistics were used to summarize respondents’ financial literacy levels, while Pearson correlation analysis measured the relationship between financial literacy and investment decisions. Additionally, regression analysis was conducted to determine the extent to which financial literacy predicts investment decision-making behavior.

Ethical Considerations

Ethical approval was obtained before conducting the study. Participants were assured of confidentiality, and informed consent was sought before data collection. The study adhered to ethical guidelines by ensuring voluntary participation and anonymity of responses.

FINDINGS AND DATA ANALYSIS

This study sought to examine the level of financial literacy and assess the relationship between financial literacy and personal investment decision-making among employees of Stanbic Bank Zambia Limited. The following were the research questions that the study sought to answer;

1. What is the level of financial literacy among employees of Stanbic Bank Zambia Limited?
2. How does financial literacy influence personal investment decision-making among Stanbic Bank Zambia Limited employees?

Descriptive Statistics

After collecting the questionnaires, primary data was analyzed by SPSS software. The descriptive statistical results showed that the respondents distributed between 54.37% of females and 45.63% of males. The average mean of financial literacy on a 1-5 Likert scale with 1 being high financial literacy and 5 being low financial literacy was 1.78, indicating that financial literacy levels at Stanbic Bank Zambia Limited was high. The percentage of those with bachelor degree was 45.6%, those with master’s degree was 44.7% while those with Diploma was 7.8% and 1.9% had professional accounting qualification.

On the level of financial literacy among employees of Stanbic Bank Zambia Limited, the following findings emerged.

To assess the level of financial literacy among employees of Stanbic Bank Zambia limited, a quantitative approach was employed using SPSS. Descriptive statistics, including mean, standard deviation, and frequency distributions, were used. Since the survey used a Likert scale (1-5) where lower values indicated higher financial literacy, a mean of 1.7838 as can be seen from the table below, suggested that, on average, employees have a relatively high financial literacy. This is so because 1.7838, is closer to 1 indicating higher financial literacy among Stanbic Bank employees.

Descriptive Statistics for the Level of Financial Literacy Composite Score

N	Valid	103
	Missing	0
Mean		1.7838
Median		1.8182
Mode		1.64
Std. Deviation		.41643

On how the level of financial literacy influence the investment decisions made by individual employees at Stanbic Bank Zambia Limited, the following were the findings.

Correlation Analysis

A Pearson correlation analysis was conducted to determine the relationship between financial literacy and investment decisions.

Pearson Correlation between Financial Literacy levels and Investment Decisions

		Composite Score 1	Composite Score 5
Composite Score 1	Pearson Correlation	1	.199*
	Sig. (2-tailed)		.044
	N	103	103
Composite Score 5	Pearson Correlation	.199*	1
	Sig. (2-tailed)	.044	
	N	103	103

*. Correlation is significant at the 0.05 level (2-tailed).

Table 1

From table 1 above, correlation coefficient (r) = 0.199, significant (p value) = 0.044 shows a weak but statistically significant positive correlation between financial literacy and investment decisions. This suggests that as financial literacy improves, investment decision-making improves slightly.

Regression Analysis

A regression analysis was conducted to assess the influence of financial literacy on investment decisions.

Model Summary– Relationship Between Financial Literacy and Investment Decisions

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.199[a]	.039	.030	.57539

a. Predictors: (Constant), Composite Score 1

Table 2

According to table 2 above, the model summary showing a relationship between financial literacy and investment decisions. From the results:

R= 0.199 shows a weak positive relationship, R-Square = 0.039 means that 3.9% of the variation in investment decisions is explained by financial literacy, Adjusted R-Square = 0.030 shows that even with the inclusion of financial literacy, the model's explanatory power is still low and the Standard Error of the Estimate = 0.57539 shows a moderate variability in the predicted investment decisions.

ANOVA for the Relationship Between Financial Literacy and Investment Decisions

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.375	1	1.375	4.153	.044[b]
	Residual	33.439	101	.331		
	Total	34.814	102			

a. Dependent Variable: Composite Score 5 (Investment Decisions)

b. Predictors: (Constant), Composite Score 1 (Financial Literacy)

Table 3

According to table 3 above, the ANOVA table shows the relationship between financial literacy and investment decisions. It tests whether the regression model as a whole is statistically significant. It helps determine whether the financial literacy significantly predicts the dependent variable which is personal investment decisions.

The F-statistic (F = 4.153) and the associated significance value (Sig.=0.044) where used to determine if the relationship between financial literacy levels and investment decisions was statistically significant. Because the p-value (0.044) was less than 0.05, it indicates that there was a statistically significant effect of financial literacy levels on investment decisions.

Regression Coefficients – Effect of Financial Literacy on Investment Decisions

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.963	.251		7.836	.000
	Composite Score 1	.279	.137	.199	2.038	.044

a. Dependent Variable: Composite Score 5

Table 4

The coefficient table 4 above helps to understand the impact of financial literacy on personal investment decisions. It provides the regression equation and statistical significance of each predictor.

The results show that financial literacy significantly influences investment decisions (p= 0.044), but the effect size is small (Beta =0.199). The positive B value (0.279) means that higher financial literacy leads to slightly better investment decisions. The constant (1.963) represents the baseline level of investment decisions when financial literacy is as zero.

Hypothesis Testing: Financial Literacy and Investment Decisions

1. Null Hypothesis (H0): Financial literacy does not influence personal investment decisions.
2. Alternative Hypothesis (H1): Financial literacy influences personal investment decisions.

From the statistical analysis results above, using correlation and regression analysis, ANOVA table and coefficient table, the hypothesis decision was that since $p < 0.05$, the null hypothesis is rejected and the alternative hypothesis accepted which confirms that financial literacy has a statistically significant but weak influence on investment decisions among Stanbic Bank Zambia Limited employees.

Reliability Test using Cronbach's Alpha

Reliability Statistics for the Financial Literacy and Investment Decisions Questionnaire

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.742	.786	10

Table 43

The table above shows the internal consistency (reliability) of the Likert scale responses.

Cronbach's Alpha = 0.742 indicates an acceptable level of reliability for the 10 Likert scale items. Since $0.7 \leq \text{Alpha} < 0.8$, the scale is reliable.

Cronbach's Alpha Based on Standardized Items = 0.786 is the Cronbach's Alpha when items are standardized (i.e., converted to a common scale). A higher value (0.786 vs 0.742) suggests that some items may have different variances, and standardizing them slightly improves reliability but since the difference is small, it does not indicate a major issue.

Number of Items (N of Items) = 10 means there were 10 Likert-scale questions used to calculate reliability.

In Summary, the Likert scale was reliable ($\alpha = 0.742$), meaning that the items measure the same underlying concept effectively.

4.11 Validity

For this study, the questionnaire was designed based on established financial literacy frameworks and previous research, ensuring that all relevant aspects of financial literacy, financial attitude, and investment decisions were measured.

Pearson correlation analysis was used and the correlation between financial literacy and investment decisions ($r = 0.199$, $p = 0.044$) provides some evidence of construct validity, indicating that the measured financial literacy levels aligned with expected investment behavior.

In this study, financial literacy was assessed using Likert-scale questions, similar to previous research in financial literacy. The use of statistical test such as regression and ANOVA further supports validity of findings by determining if financial literacy significantly predicts investment decisions.

DISCUSSION AND CONCLUSION

Discussion

The findings suggest that financial literacy plays a role in shaping investment decisions among employees of Stanbic Bank Zambia Limited. Descriptive statistics reveal that most employees demonstrate financial awareness, regularly assess their financial position, and make informed investment decisions. This aligns with existing literature that highlights financial literacy as a key factor in effective financial decision-making.

However, the correlation and regression analysis indicate that financial literacy alone does not fully explain investment decisions. The weak correlation (r = 0.199) and low explanatory power (R-Square = 3.9%) suggests that other factors such as financial behavior, market conditions, and psychological influences, may play a greater role.

This highlights the importance of broader financial education programs that not only focus on financial literacy but also consider behavioral finance, emotional intelligence, and risk tolerance. Employers and policy makers should design targeted financial education initiatives that address these additional aspects to enhance investment decision making.

Conclusion

The analysis confirms that financial literacy has a statistically significance impact on investment decisions among employees at Stanbic Bank Zambia Limited. However, the correlation is weak, and financial literacy alone explains only a small portion of investment decision variability. This suggests that other factors such as risk tolerance, financial behavior, and personal goals may play a more substantial role in investment decision-making.

While improving financial literacy is beneficial, it should be completed by other interventions such as personalized financial planning, behavior finance training, and risk management strategies. Future research should explore these additional factors to develop a more comprehensive understanding of investment behavior. These insights can help financial institutions and policy makers create more effective financial education programs that empower employees to make well-informed and confident investment decisions.

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