

Examining the level of financial literacy among Saudi Investors and its impact on Financial Decisions

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Abstract

Financial literacy and information requires that a person knows and understands the forms, functions and use of money and financial services. In today's world financial literacy is important to every individual who wishes to select the best way to carry out payments and take care of banking issues. The current paper examines the impact of different demographic variables on the level of financial literacy among Saudi investors. Furthermore, the impact of financial literacy on different kinds of financial decision making is also investigated. The result of the current study confirms a significant impact from gender and age on financial literacy. Males are more financially literate than females, and older people also show a higher level of financial literacy compared with younger people. There is no significant impact from educational level and current work situation on financial literacy. Financial literacy is measured in reference to retirement planning and stock market participation. People with a higher level of financial literacy have a greater urge to engage in retirement planning and stock market participation. However, there is a negative relationship between financial literacy and the need for financial advice.

Keywords: Financial literacy, Financial decision making, Retirement planning, Stock market participation, Need for financial advice

1. Introduction

Financial literacy, has, in recent years, attracted the interest of various groups, including governments, bankers, employers, community interest groups, financial markets, and other organisations, especially in developed countries. The importance of improving financial literacy has increased because of factors including the development of new financial products, the complexity of the financial markets, and changes to political, demographic, and economic variables.

The growing body of literature relating to financial literacy suggests consumers' comprehension of basic financial principles and products is minimal (see Lusardi and Mitchell, 2011b; Atkinson and Messy, 2012), and might not be sufficient to guarantee households are in a position to make sound financial decisions. For instance, the empirical evidence suggests more financially illiterate households are more prone to inefficient low participation in the stock market, to portfolio under-diversification, to inertia in their portfolio management, to over-indebtedness, and to the use of informal sources of borrowing (Guiso and Jappelli, 2008; Kimball and Shumway, 2010; Klapper et al., 2013; Lusardi and Mitchell, 2007; Lusardi and Tufano, 2009).

A low level of financial literacy does not necessarily imply households are bound to make poor financial decisions. At least in principle, they can seek advice and guidance from qualified sources. However, households can resort to advice from experts when making financial decisions, this advice can act as a substitute for their own learning, thus rendering the effort of acquiring financial expertise unnecessary. However, two problems might undermine this argument. First, advice might be biased when financial advisors are also acting as sellers of financial products (Bolton et al., 2007; Inderst and Ottaviani, 2009; Stoughton et al., 2011), and biased advice might not improve customers' portfolio allocations, possibly even being detrimental (Bergstresser et al., 2009; Mullainathan et al., 2012; Shapira and Venezia, 2001). Second, consumers might not demand advice. For instance, Bhattacharya et al. (2012) observe that even unbiased and free advice is not typically demanded, and conclude that the supply of fair advice is not sufficient to improve on an investors' portfolio allocations. Their findings suggest that problems might lie in the demand for advice from investors, and not only in their supply.

The aim of this paper is to investigate financial literacy among youngsters. The concept of financial literacy has been of increasing interest over the past few years. The main reason for this is that today we live in a highly complex environment, confronting many problems such as; political instability, economic and financial distress. Globalisation and the complexity of the financial markets has heightened the need for financial literacy. Globalisation also makes it more difficult for consumers to make suitable decisions regarding taking on student loans or credit card debt. Consumers need to adapt rapidly and this has led to greater product development and investment. This explains why Governments, institutes, corporations, investors and individuals have increasingly emphasised financial literacy. Moreover, this paper will examine the relationship between financial literacy and the various factors influencing both financial literacy and financial planning decisions.

2. Literature Review

Many researchers and organisations working in different fields have defined financial literacy in different ways. In the year 2008, the President's Advisory Council on Financial Literacy (PACFL) held a meeting to define financial literacy and financial education in order to enhance the financial literacy of the American population. PACFL defined financial literacy as one's aptitude to make use of his or her awareness and abilities to effectively and efficiently deal with his or her financial resources for a whole life span for the purpose of financial welfare (PACFL, 2008).

Financial education is a course of action which is helpful for individuals to gain a better understanding of monetary products, services and concepts. Financially educated individuals are better able to make informed choices, stay away from pitfalls and make use of available help. To enhance their current and future financial security individuals can also make use of other sources (PACFL, 2008). Lusardi and Mitchell (2007) define financial literacy as, "knowledge of most basic concepts and financial terms to make a better investment and saving decisions" (p.36). ANZ Bank (2008)'s base their definition of financial literacy on Schagen's (2007): "(t)he ability to make informed judgments and to take effective decisions regarding the use and management of money" (p. 1). According to Lusardi (2008a, 2008b) financial literacy is, "(t)he knowledge of basic financial concepts, such as the working of interest compounding, the difference between nominal and real values, and the basics of risk diversification" (p. 2). Therefore, based on the definitions given above and others coined by various other researchers, financial literacy can be defined as the understanding of fundamental economic and monetary concepts along with the skills to utilise this understanding and information and to handle financial resources effectively and efficiently for a whole life span of financial welfare.

Having financial literacy means knowing and understanding the forms, functions and use of money and financial services. In today's world everyone needs to be financially literate in order to be able to decide on the best way to make payments and take care of personal banking issues. Financial literacy also helps individuals understand how much income they have available and work out how much of it they can afford to spend and how much they should save. In financial behaviour it is also relevant to understand taxation issues (Pellinen, Tormakangas, Outi Uusitalo, & Anu Raijas, 2011). Financial literacy is also important as it is linked with financial practices such as cash-flow management, credit management, saving and investment (Hilgert and Hogarth, 2003, pp. 320-321). Because of financial illiteracy, youths face many financial problems in the United States. Youths have little financial knowledge about how to make good investment decisions (Norvilitis et al., 2003; Todd, 2002; Consumer Federation of America, 1999). Financial literacy helps one make better decisions regarding spending and saving. Financial literacy is also important from the perspective of consumers. As nowadays consumers are living in a more complex financial environment, the need of financial literacy has increased tremendously. Globalisation makes it even more difficult for consumers to make the right decisions on issues such as student loans and credit card debts.

The USA federal government has also realised the importance of financial education. In 2002 / 2003, the US government issued “a national strategy to promote financial literacy and education” through Title V of the Fair and Accurate Credit Transaction Act of 2003 (U.S. Department of the Treasury, 2006; U.S. Department of the Treasury, 2002) through which the Office of Financial Education in the US Treasury Department and the National Financial Literacy and Education Commission were created. Financial literacy is also important for individuals making retirement plans and any other kind of investment. If such individuals do not have a grasp of basic financial concepts they will not be able to make good investments. Many householders are unfamiliar with even the most basic financial and economic concepts which are considered important when it comes to making sound investment and saving decisions. This points to the importance of financial literacy for savings, mortgage and retirement planning. Having financial literacy is also considered beneficial when it comes to investing in the stock market.

Van Rooji, Lusardi and Alessie (2007) find that individuals who are not financially knowledgeable do not make sound investment decisions on the stock market. Individuals who lack financial knowledge may face negative consequences of their financial decisions and are less likely to plan for retirement (Lusardi and Mitchell, 2006, 2007a, 2007c), are more likely to end up with less wealth close to retirement (Lusardi and Mitchell, 2007a), are not able to make sound stock investments (van Rooij, Lusardi and Alessie, 2007; Kimball and Shumway, 2006; Yoong, 2007) and are more likely to use high-cost means of borrowing (Lusardi and Tufano, 2009). Financial illiteracy was one of the causes leading to the financial crisis of 2007. It is important for decision makers to integrate financial knowledge and skills with real life processes leading to better financial interests (Atkinson and Messy). In short, financial literacy is important for better decision making, to make better investments and to increase productivity in the workplace.

Financial illiteracy is the major cause of poor investments, low budgets and living hand to mouth in old age (Hilgert, Hogarth and Beverly, 2003; OECD, 2005; Lusardi and Mitchell, 2006; Cole, Sampson and Bilal, 2008; Hung, Parker, and Yoong, 2009; Huston, 2010; Kennedy, 2013). Financial illiteracy has multiple consequences including falling saving rates (Hilgert et al., 2003), increasing consumer debt (Stango and Zinman, 2007), insufficient plans for retirement (Lusardi and Mitchell, 2006, 2007), increased reasons to divorce and mental sickness (Cleek and Pearson, 1985; Kinnunen and Pulkkinen, 1998). It can cause emotional strain and misery and lower one’s dignity (Wolcott and Hughes, 1999). It leads to less efficiency at work (Fletcher et al., 1997; Joo and Grable, 2000; Welsch, 1992), low levels of stock market participation and inadequate diversification (Campbell, 2006).

2.1 Demographic Characteristics

Financial illiteracy is not a general term; it is applicable to particular demographic groups (Lusardi and Mitchell 2006). There is a difference between genders when it comes to financial knowledge with women proving to be less knowledgeable than men especially with regard to risk diversification, the stock market and assets pricing. The level of financial literacy also differs among people of different levels of education and race. According to

Lusardi and Mitchell's (2007a) findings, those who are more knowledgeable are much more likely to make better investment and saving plans and to answer economic literacy queries correctly. It is also found that Caucasians are more knowledgeable than Blacks and Hispanics in this area. Older individuals are less knowledgeable than younger ones. Individuals aged 75+ were not knowledgeable about management of credit card debt and were not able to give correct answers to multifaceted interest compounding computation queries (Lusardi and Mitchell, 2006, 2007a, 2007b, 2009). According to Bernheim, Garrett and Maki (2001) adults who learned about financial management courses at school make better savings plans and investment decisions.

De Bassa Scheresberg (2013) investigated the impact of financial literacy on the behaviour of young adults in the U.S. The results showed that most young adults have no awareness of basic financial instruments. The levels of financial literacy of individuals varied according to the demographics of the different groups, for instance certain groups exhibited a lower level of financial literacy among them women, minorities, individuals with a low level of income and less educated individuals. Individuals with a high level of education do not necessarily have better financial awareness of financial products and services. A mere 49% of young college level respondents and 60% of young postgraduate level respondents were found to be financially literate when asked to answer three simple questions about financial products.

Lusardi and Mitchell (2008) investigated the essential factors that have a significant influence on women's retirement planning in the U.S. Women tend to be less financially literate and a one off tutoring session in financial planning could yield benefits which would serve them throughout their lives. It was found that younger women have high levels of financial literacy then older ones in U.S and that a large number of women in the U.S have done no retirement plans. Moreover, financial information / literacy is evidently interconnected with planning because women having a higher level of financial knowledge were more likely to make retirement plans and to be successful planners. According to De Bassa Scheresberg (2013) a considerable disparity was found in financial literacy between females and males. Women can be successfully targeted for financial literacy programmes. Gale, Harris and Levine (2012) investigated the impact of financial education on American household savings. Their findings show that adults with a low level of financial literacy in the U.S made poor financial decisions and experienced financial anxiety. Individuals with a higher level of financial literacy were aware of their savings situations, tended to save more and gain higher economic grades and financial security. Higher financial literacy can lead to extensive social and economic benefits as it enhances the householders' financial decision making capabilities and increases the householders' capital stock and savings.

Research conducted by Al-Tamimi and Kali (2009) showed a significant positive correlation exists between financial literacy and age, gender, employment status, income level and education level. Another study demonstrated the relationship between students' demographics (e.g. education, academic disciplines, class rank, age, gender, race, nationality, income level and experience) and their personal financial literacy. The study found that the respondents' educational background had a significant effect on their financial literacy. The findings indicated that male students, business majors, graduate students, mature students, junior and

senior students and participants having a high income level tend to have more knowledge about their finances than non-business majors, female students and participants with a low income level and little work experience (Chen and Volpe, 1998). Studies conducted by Gale, Harris and Levine (2012) showed that workplace financial education seminars have a positive influence on household savings but the level of the impact differs broadly. While the study reported that financial education programs in schools have an unclear impact on household savings and, according to econometric studies, no significant outcomes were found. No reliability tests on the financial literacy influence on savings have been made in credit- and mortgage-based analyses.

Bartley (2011) conducted a study in the campus community of Union College in Schenectady, New York to assess the level of financial literacy of the students. He determined the financial literacy level of the students by asking questions concerning their demographic characteristics (e.g. gender, class rank and academic discipline) and financial products (e.g. student loans, credit cards and budgeting) through a questionnaire. His results indicated an insignificant relationship between students' demographic characteristics and their financial knowledge. His findings showed that men and women have an equal level of financial literacy, as do seniors and juniors. Social science majors and humanities majors also have an equal level of financial literacy, while science/engineering majors have a greater level of financial literacy than humanities majors.

The notion that it is possible to predict the level of financial literacy by gender is supported by rich empirical data gathered through numerous studies which have shown that men are more financially literate than women (Mandell, 2008; Cole et al., 2008; Worthington, 2004; Chen and Volpe, 1998; Lusardi and Mitchell, 2006 and 2008; Almenberg and Säve-Söderbergh, 2011; Monticone 2009; Volpe et. al., 1996; Goldsmith and Goldsmith, 1997; Almenberg and Säve-Söderbergh, 2011; Danes and Hira, 1987; Almenberg and Soderbergh, 2011; Volpe, 2002). According to Goldsmith and Goldsmith (1997) the reason behind why this difference is evidence could be because of the lack of interest shown by women in topics related to personal finance and investment and their low level of interaction with financial service providers.

Income for most people is determined by the market value of their labour, paid as wages and salaries. Research indicates that job opportunities and income can be increased through more education, by enhancing job skills and gaining work experience (Walstad and Bosshardt, 2014). Studies have indicated that income is also directly proportional to financial literacy (Puneet and Medury, 2013; Beal and Delpachitra, 2002; Volpe et al., 2002; Al-Tamimi and Kalli, 2009; Rooij, Lusardi and Alessie, 2011). The higher the level of financial literacy, the higher the income level and vice versa.

Financial literacy and age have a significant relationship which follows a U-shaped pattern, in that financial mistakes decline with age until individuals reach their early 50s, then begin to increase again (Agarwal et al., 2011). Many studies provide evidence that older participants are more knowledgeable than youngsters /teenagers (Volpe, 2002; Lusardi and Mitchell, 2006; van Rooij, Lusardi and Alessie, 2007; Almenberg and Säve-Söderbergh, 2011; Puneet and

Medury, 2013).

Different studies have shown a link between employment and financial literacy: holders of white collar jobs have higher financial literacy than those who are jobless or who hold blue collar jobs (Beal and Delpachitra, 2003); businessmen, professional workers and farmers are more financially literate than salaried individuals (Worthington, 2006) and non-government employees are more financially literate than government employees (Puneet and Medury, 2012). Higher levels of financial literacy offset the adverse effects of job insecurity by reducing the probability of higher levels of financial distress (Giannetti, 2014). Self-employed individuals are better educated and have better access to financial solutions due to a better understanding of financial instruments (Madia and Moretti, 2014).

2.2 Financial Literacy and Financial Decisions

The term “financial knowledge” or “financial literacy” signify that an individual is familiar with and comprehends the categories, utility and utilisation of capital and financial services and is knowledgeable about budgeting, interest rates, inflation and risk. Financially literate individuals are also well aware of their earnings, their savings and the amount of money they have available for spending. So, financial knowledge is linked with financial literacy because when a person is well aware of his / her financial position it could be said that he / she is financially literate.

Financially illiterate or un-sophisticated persons are persons who have little knowledge of financial matters and terms related to them such as interest rates and risk minimising techniques. Financial literacy is important to avoid wrong decision making. A person who has little or no knowledge of finance, that is a person who is not financially sophisticated, is more likely to fall prey to high cost borrowing and pay a great amount of money to attainment different financial services (Lusardi and Mitchell, 2011). According to Lusardi, Mitchell and Curto (2010) less than one-third of youngsters possess basic knowledge about interest rates, inflation and risk diversification which means that financial literacy is low among youngsters.

According to a health and retirement study (HRS) 2004 model, financially knowledgeable individuals are expected to make retirement plans (Lusardi and Mitchell, 2007). The study concluded that financially knowledgeable individuals made better investment decisions and savings plans and are also more likely to make investments through the stock market. Individuals with financial skills use such skills in their everyday lives and in long-term financial management. They are supported by financial information and understanding and their actions are affected by their stance towards the use of cash, i.e. spending and saving practices (Cramer et al., 2004).

Financial literacy is also critical to retirement planning and the taking out of other kinds of savings and investments. Some people fail to plan because they are financially illiterate. People who do not make plans for retirement/pensions because of lack of knowledge of discounting, interest rates, inflation and risk diversification techniques are more likely to fall into high-cost debts and usually end up spending more on financial products and services. The financially illiterate also have no knowledge about portfolio management and risk

minimisation techniques (Christelis et al., 2010; van Rooij et al., 2011). Some studies found that an individual's religious denomination played an important role in financial planning, particularly in retirement planning. In the Netherlands, Roman Catholics were found to be more likely to have retirement plans. Geographical location also counts; in rural areas of Russia people are less likely to participate in retirement saving schemes (Lusardi and Mitchell, 2011).

According to Chen and P. Volpe (1998), the capability to deal with personal finances is essential in this world. Moreover, they advocate that everyone make long-term investments e.g. for their retirement and children's education. People should also plan for short-term savings and loans and manage their medical and life insurance needs.

There are many advantages to being financially literate. For instance, a financially literate person will start saving for his/her retirement early on, will have lesser loans and will have lower charges on credit cards. According to Lusardi and Mitchell (2007) people nowadays have to make more financial decisions than ever before, for instance they have to make plans for their retirement and, if they are financially literate, they will start to save money way before their retirement. Past studies indicate that financial literacy has a direct effect on the individual's decision making process throughout his life. Past research has illustrated the major differences between the decisions made by more financially literate and less financially literate persons e.g. more a financially literate person is more likely to invest in the stock market (Lusardi, van Rooij and Alessie, 2007). One study indicated that financially literate persons have more financial wealth (Lusardi, 2004).

The next hypothesis refers to the relationship between the financial literacy level and investment decisions made by an individual. It has been proven that highly literate investors use different criteria when making an investment decision than low-literacy investors. Highly literate investors prefer to use financial publications, whereas low-literacy investors rely on advice from family, friends and stockbrokers.

Previous research has found that financial literacy can have direct implications on financial behaviour. People with low financial literacy are more likely to have problems with debt (Lusardi and Tufano 2009), are less likely to participate in the stock market (van Rooij, Lusardi and Alessie 2007), are less likely to choose mutual funds with lower fees (Hastings and Tejada-Ashton, 2008), are less likely to accumulate wealth and manage wealth effectively (Stango and Zinman, 2007; Hilgert, Hogarth and Beverly 2003) and are less likely to plan for retirement (Lusardi and Mitchell, 2006, 2007a, 2009). Financial literacy is an important component of sound financial decision-making and many young people claim that they wish they had more financial knowledge. In a 2009 survey on credit card use among undergraduate students, 84% of students said they needed more education on financial management topics, 64% would have liked to receive information about financial management topics in high school and 40% would have liked to receive such information as college freshmen (Mae, 2009). Understanding financial literacy among young people is thus of critical importance for policymakers in several areas; it can aid those who wish to devise effective financial education programmes targeted at young people as well as those writing legislation to protect

younger consumers.

3. Research Model and Hypotheses

H1: There is a significant difference in financial literacy according to different socio demographic characteristics.

H2: Peoples exhibit different financial behaviours according to their level of financial literacy.

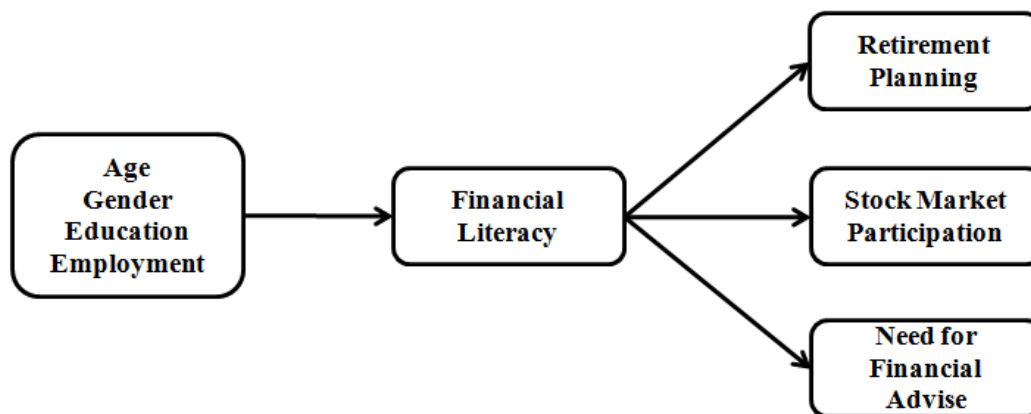


Figure 1 Theoretical Research Model

4. Methodology

This study is descriptive and causal. Descriptive research can be explained as research which describes something, a phenomenon or a particular situation. Descriptive studies are studies that describe the existing situation instead of interpreting and making judgments (Creswell, 1994). The main objective of descriptive research is verification of the hypotheses which are developed to reflect current particular situation. This type of research provides information about the current scenario and focuses on either the past or the present, for example the quality of life in a community or customer attitudes towards a marketing activity (Kumar, 2005). This study is also causal in its nature as it seeks to discover the causal effect of financial literacy on the financial behaviours of the respondents.

4.1 Sample/Data

In order to collect data to understand the situation about financial literacy, a sample of 300 respondents were asked to participate in a self-administered questionnaire. The population for this study is the general population of the Kingdom of Saudi Arabia. This study uses a non-probability sampling technique called convenience sampling. Convenience sampling is a

sampling technique that collects the relevant information from a sample that is conveniently available (Zikmund, 1997). Convenience sampling is normally used for collecting a large number of completed surveys speedily and efficiently (Lym et al., 2010).

To develop confidence in the survey results and make these results representative of the general population it was vital that a sufficiently large number of participants were selected. For a good sample size, a 95% confidence level was used. This means that there is a 5% chance that the results of the study differ from reality. A confidence level of 95% is a good confidence interval or margin of error (Niles, 2006). Researchers commonly use a 5% margin of error and this study uses the same criteria. The response rate for this study was 75% because of the fact that the survey was self-administered. Based on the above parameters the sample size was calculated as 288 (rounded up to 300 to cover contingencies). This sample size compares favourably with the sample size of several other studies on a similar topic which was less than 250.

The respondents were selected from different metropolitan cities in Saudi Arabia. Based on the results of previous studies on financial literacy two main clusters were targeted: university students and working professionals.

4.2 Instrument and Measures

The survey instrument of this study addresses two major purposes: the first purpose is to analyse the impact of different demographic variables on financial literacy; the second is to collect information about the different financial behaviours of the respondents that can be used to understand variations in these categories due to level of financial literacy.

The survey instrument will contain two sections. Section 1 includes questions on personal and demographic variables. This section will obtain information on the respondents' gender, age, income, education and status.

Section 2 includes questions concerning the latent variables that are important to this study. These variables include financial literacy, retirement planning, stock market participation and need for financial advice. This section of the questionnaire is based on the results of the literature review and previously administered questionnaires. The measurement scales used in this study were adapted from previously published studies.

4.3 Reliability Analysis

Reliability analysis is a technique used to check the consistency of the data. According to Moss et al. (1998) the score of Cronbach's alpha should be greater than 0.6. All the variables included in the study attain the required level of reliability as their values are greater than 0.6.

Table 1: Reliability Analysis

Variable	No of items	Cronbach's alpha
Financial Literacy	12	0.74
Retirement Planning	4	0.81
Stock Market Participation	5	0.72
Need for Financial Advice	4	0.85

5. Results and Analysis

5.1 Profile of the Respondents

The demographic and personal information of the respondents of the survey are given below in Table 2.

Table 2. Profiles of respondents

Variable	Category	Frequency	Percentage
Gender	Male	187	62.3
	Female	113	37.7
Age	15 to 30	127	42.3
	30 to 45	173	57.8
Income (SAR)	Below 15000	45	28.0
	15000 to 25000	28	17.4
	25000 to 35000	29	18.0
	35000 to 45000	23	14.3
	45000 to 55000	13	8.1
	Above 550000	23	14.3

Education	Complete Secondary	75	25.0
	Graduates	124	41.3
	Masters	101	33.7
Status	Student	87	60.2
	Employed	78	23.6
	Businessman	83	11.8
	Unemployed	52	1.2

5.2 Demographics and Financial Literacy

Financial Literacy by Gender: The mean value for males was 1.3431 and for females 1.4253 which implies that males are more financially literate than females. These results are significant because their F value = 6.062 and the significance of this finding is 0.016.

(The coding of the results of questionnaire in SPSS software was as follows: a correct answer was coded as 1 and a wrong/incorrect answer was coded as 2. Because of this a smaller mean value implies high financial literacy and a larger mean value implies low financial literacy of respondents)

Financial Literacy by Age: Age has a mean value of 1.4541 for the 15-30 age group and 1.3344 for the 30-45 age group which shows that individuals aged between 30-45 are more financially literate than individuals aged between 15-30. The F value for this findings=13.609 which is highly significant (=0.000).

Financial Literacy by Education: The mean value for higher level education, Master's level, graduate and completed secondary school are 1.3211, 1.3478, 1.4242 and 1.3804 respectively. The results shows that highly educated individuals are more financially literate than others and graduates are the least financially literate among these groups. These findings have an F value of 2.212 and a significance of 0.095 > 0.05 which means that these results are insignificant.

Financial Literacy by Respondent's Current Status: The analysis shows that respondents who are self-employed/ in business have a higher level of financial literacy because the lowest mean value = 1.3261 while, on the other hand, respondents who are employed have the lowest level of financial literacy with the highest mean value=1.4783, followed by the unemployed and student respondents who have mean values of 1.3913 and 1.3815 respectively. This means that they have a lower level of financial literacy than self-employed respondents but a higher level than the employed respondents. The F value= 0.494 which implies that the respondents' current work situation has an insignificant impact on their financial literacy.

VARIABLES	F-VALUE	SIGNIFICANCE
Gender	6.062	0.016
Age	13.609	0.000
Education	2.212	0.095
Respondents' current status	0.494	0.688

5.3 Financial Literacy and Financial Behaviours

According to the regression results of the study, both the Retirement Planning and Stock Market Participation variables have a significant positive relationship with Financial Literacy. Specifically, the Retirement Planning variable has a significant positive relationship with $\beta=0.285$ and $p < 0.01$. This means that financial literacy contributes more than 28% to Retirement Planning. The regression results of financial literacy with stock market participation is also significant with $\beta=0.259$ and $p < 0.01$. However, there is a negative influence of financial literacy on the need for financial advice with $\beta= -0.135$ and $p < 0.01$. The results validate H2 of this study.

6. Discussion

This study proves that there is a significant difference between the levels of financial literacy of males and females. The mean value of males is smaller than that of females which means that males are more financially literate than females. The main reason for this is that males are dominant in Saudi culture and major financial decisions are taken by them. Also, males are more socially active and have more financial exposure than females. Past studies also show similar results. Results may differ from one country to another. The results also show that there is a significant difference between individuals in different age groups. The reason is that individuals who are between 18-19 years old are students and are typically less educated in financial matters than those who are between 20-29 years old. Persons in their 20s have usually completed their higher level education and may have followed some courses which make them more financially knowledgeable or literate. The results show that there is no relationship between financial literacy and an individual's level of education. However the table shows that there is a significant difference in the financial literacy of individuals with a higher level education and those who have completed only their compulsory school education. The main reason is that individuals who have followed courses at a higher level of education are more financially knowledgeable because they have gained more theoretical and practical knowledge in their studies and possibly had opportunities to undertake additional financial courses. This means that they are more aware of their financial situation and can make better decisions about investments. The table also shows that graduates are less financially literate than those who completed degrees at Master's level. The reason for this may be that they

have more knowledge and skills than graduates because of their higher educational level, but it may also be that there may be some sampling errors in the test. The result shows that there is no relationship between an individual's financial literacy and the individual's current work situation. The main reason for this may be that most of the respondents were students who did not work at the time of the survey. However the mean value of self-employed respondents was high which indicates that self-employed individuals and business people are more knowledgeable and financially literate due to their knowledge and experience.

The results of this study also confirm that people with higher financial literacy are more inclined to make retirement plans. This shows that people who are more financially literate are more willing to participate in different kinds of programmes having retirement benefits. These highly financially literate people are more interested in participating in the stock market. They frequently purchase stock shares and reap benefits from their higher level of financial literacy. On the other hand these more financially educated people are less willing to get advice from financial experts and believe that they themselves can handle problems related to their financial matters.

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