



Financial literacy in Tunisia: Its determinants and its implications on investment behavior



Amari Mouna^{a,b,*}, Jarbouli Anis^{a,b}

^a FSEGS, Tunisia

^b ISAAS, Tunisia

ARTICLE INFO

Article history:

Received 5 January 2016

Received in revised form

26 September 2016

Accepted 29 September 2016

Available online 11 October 2016

MSC:

00-01

99-00

Keywords:

Financial literacy

Stockholding

Household

Tunisia

ABSTRACT

Given the dynamic changes in the economic environment, especially in financial markets, a need is felt to improve investors' financial knowledge. Financial literacy entails informed financial decisions. The present study investigates the determinants of financial literacy and its impact on investment behavior. A questionnaire has been developed to elicit the study's variables and it is divided into three parts. The first part covers the demographic variables; the second deals with the financial behavior of the Tunisian households, and the third part is devoted to financial literacy.

The study's findings are two fold: First, individuals with a low level of financial literacy are less likely to invest in the stock market. Second, the financial literacy level is found to be affected by age, education level, and the annual income.

© 2016 Elsevier B.V. All rights reserved.

1. Introduction

The growing literature on financial literacy suggests that the investors' knowledge and skill of basic financial principles and products are far from the needed level. The importance of improving investors' financial literacy has increased due to factors, such as the development of new financial products, the complexity of financial markets, and changes in political, demographic, and economic factors.

Rejichi and Aloui (2012) conducted a study on the efficiency of the MENA stock market. By ranking MENA stock markets by efficiency with their measures of long-range dependence they found that Israel's, Turkey's and Egypt's markets are the less inefficient markets in this region. The Organization for Economic Cooperation and Development confirms that financial literacy level is low among consumers across the 30 member countries. Moreover, consumers feel that they know more about financial matters than is actually the case. The survey also reported that consumers believe that financial information is difficult to find and understand (OECD, 2005). Thus, Shena et al. (2016) suggest that low financial literacy level leads to more financial disputes.

Many extensions to the standard model have been brought in to answer this puzzle such as first-order risk aversion (Epstein, 2005; Donadelli and Persha, 2014), earnings–return correlation (Heaton and Lucas, 2000) or borrowing constraints.

* Corresponding author at: FSEGS, Tunisia.

E-mail addresses: amarimouna86@gmail.com (A. Mouna), anisjarbouli@yahoo.fr (J. Anis).

The present study assesses the financial literacy of the Tunisian households that invest in the local financial markets and it examines the effect of demographic factors on financial literacy, namely age, gender, education, annual income and employment status. Research found an interrelationship between financial literacy and financial behavior (Van Rooij et al., 2011; Arrondel et al., 2014). More precisely, the present study investigates the potential impact of financial literacy on holding stocks as a complement to traditional factors (Al-Tamimi, 2006; Amari and Jarboui, 2013; Gathergood, 2013).

Kenourgios and Samitas (2011) confirm that stock market dependence supported the herding behaviour during the 2008 stock market crash period. Moreover Lixia (2013) show consistent co-movement between most of the Asia-Pacific stock markets and that of Europe and the US in the long run. Therefore, today's financial world is highly complicated compared to the past, therefore to improve financial knowledge, many developed countries, such as Australia, France, USA, UK, Japan, etc. have already set regular programs. In Tunisia, therefore, there is a need to set such financial literacy programs as a way to improve Tunisia's financial empowerment, opportunities and well being both at the national and the international levels. In April 2015, a symposium on financial education was held in Tunisia. During this event, researchers, policymakers, central bank authorities and financial service providers and civil society discussed how to increase financial literacy in the region to support financial inclusion and economic development for all, including women and youth.

The symposium recognized the need, especially, for women and youth to gain access to financial services and financial education. The Tunisian Stock Exchange (BVMT) was established on 12 Mai 2015 "Investia Academy". Thanks to it, now Tunisia is well positioned to develop financial awareness, literacy and skills among its broad population by offering high quality edutainment content in the national program of financial literacy. This program aims at improving financial knowledge and skills, raising awareness of financial issues and improving financial inclusion.

The present study's contributions is two fold. First, it develops the measure of financial literacy in the Tunisian context. Second, it contributes in solving the so-called "stockholding" puzzle; i.e., many households do not hold stock (Lusardi and Mitchell, 2007). In other words, financially illiterate people tend to shy away from financial markets because they have little knowledge of stocks.

The present study is organized in five sections following the introduction. Section 2 reviews the current literature on financial literacy and stockholding also, it outlines the study's hypothesis development. Section 3, presents the study's empirical models, data description and variable measures. Section 4 outlines the mains results obtained from the logit analysis and robustness checks. Section 5 covers the study's implications and its suggests topics for further investigation. The appendices collect the full analysis of the study's model as well as the proofs and the questionnaire.

2. Literature review

The research literature that explores the relation between the investors' financial literacy and their investment in the stock market is recent and relatively limited in the emerging context.

2.1. Research questions

Much of the literature included in this survey is new and it is a part of field that is still developing as a field of research. The aim of this study is to examine if Tunisian investors are well-equipped to make good financial decisions and if they possess adequate financial literacy and skills.

The present study attempts to answer the following questions:

RQ1: Is the financial literacy level of the Tunisian household fairly good?

RQ2: Can financial literacy explain why very few households hold stocks, as a complement to traditional factors?

2.2. Financial literacy and socio-demographic variables

In the field of the stockholding, Volpe et al. (2002) examined the investment literacy of 530 online households. They explored the difference in the financial literacy level among various groups of participants according to age, income, gender, education, and previous online trading experience as variables.

Volpe suggested that the level of financial literacy varies with people's education, experience, age, income, and gender. Particularly, he discovered that women had much lower financial literacy than men and older participants performed better than younger participants. Moreover, households with higher income had more knowledge in investment than those with lower income, and households with college or higher degree performed better than those with low education.

Based on the stated purpose of the study and the research questions, the following hypotheses are formulated as follow:

Hypothesis 1. (H1): The Tunisian-national households' knowledge is well below the acceptable level.

Hypothesis 2. (H2): There is a positive interrelationship between financial literacy and age, gender, marital status, employment status, education level and income.

Hypothesis 3. (H3): The significant difference in the levels of financial literacy of the Tunisian-national households is based on their socio-demographic variables.

Download English Version:

<https://daneshyari.com/en/article/6481264>

Download Persian Version:

<https://daneshyari.com/article/6481264>

[Daneshyari.com](https://daneshyari.com)