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Effect of Financial Literacy on Investment Decisions of Food and Beverage Manufacturing Companies in Kenya

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Abstract

Financial literacy plays critical role in ensuring that one is equipped with knowledge and skills needed to manage finances which eventually help companies realize financial stability and help management make informed financial decisions. The objectives that guided the study includes: to evaluate the effect of rational factors literacy, financial analytical skills, irrational factor management skills and past performance awareness on investment decisions of food and beverage manufacturing companies Kenya, the last research objective was to assess the moderating role of managerial tenure on the relationship between financial literacy and investment decisions of food and beverage manufacturing companies Kenya. The study was guided by the decision theory, Upper Echelons Theory and Prospect theory. An explanatory research design was employed. The study found that financial literacy significantly affects the investment decision. The results demonstrated a significant positive impact of rational factors (β=0.245, p=0.00), financial analytical skills (β=0.607, p=0.000), irrational factors management (β=0.379, p=0.000), past performance management (β=0.319, p=0.000) on investment decisions. The study concluded that Enhancing financial literacy can lead to smarter investment decisions and organizational success.

Keywords: Financial literacy, Management tenure, Investment decisions, Food and beverage manufacturing companies in Kenya

1. Introduction

Investment decision consists of tradeoffs between a company's instant consumption and delayed consumption for a greater future consumption benefit (Garang, 2016). Investment has been defined by both theoretical and empirical studies as the commitment of funds for a specified period by an investor with an expectation of earnings returns. (Baker & Nofsinger, 2010) opine that investment today has become a dynamic field. A successful investment decision is highly dependent on the level of an individual's financial literacy. Manufacturing companies play critical role in economic growth and development, it provides significant demand of goods and services in other sectors of the economy. Globally, manufacturing companies just like other companies face complex financial products and are subjected to making very critical decisions on investments (Amoah, Jibril, Luki, Odei, & Yawson, 2021). (Khurshid, 2015) in a study on manufacturing companies in China observed that the interest rates affected future investment by adjusting savings in the manufacturing firms. The influence of interest rate on investment increased the cost of investment and caused lower income investors to withdraw from the area of investment, so that the demand for investment was reduced, however, falling interest rates means that investment cost decline, thereby stimulating investment (King'ondu, 2020). According to recent data provided by (Suleiman, 2013), the manufacturing sector makes a substantial contribution of £ 6.7 trillion to the global economy. According to (Alkaraan, 2020), the manufacturing sector employed approximately 15.4 million individuals in the year 2019, accounting for approximately 10.8% of the total employment in the United States. The manufacturing sector in the United States generated a gross domestic product (GDP) of $15.1 trillion in the previous fiscal year, accounting for approximately 25% of the nation's overall GDP. According to (Godfrey, 2015), the manufacturing sector contributes to 10 percent of the United Kingdom's Gross Domestic Product (GDP) and accounts for 45 percent of its total exports. Furthermore, it directly employs a workforce of approximately 3.7 million individuals. Japan, Germany, and the United States share several similarities. The United Kingdom has witnessed a growing trend towards the concentration of its manufacturing sector in high-technology industries, specifically in aerospace and pharmaceuticals. This is in line with the comparison made with emerging economies, such as Brazil, Russia, India, and China, which have demonstrated a higher degree of specialization in industries of lower technological intensity, such as textiles (Guo et al., 2020).

In Africa, manufacturing companies support the process of economic development factors such as trade liberalization, the growing number of developing countries, the growing trend for technological change, and the collapse of a few trade barriers for rapidly changing drivers' economic conditions. According to the United Nations Conference on Trade and Development (UNCTAD), commercial manufacturing companies face the challenge of finding that their current ideas, strategies and methods of remembering investments, work in this market without the need for customization, the recent trend towards foreign direct investment (FDI) shows an increase of up to $ 55 million, with about 30% donated to North Africa, 27.5% by South Africa and, in other African regions World Investment Report by UNCTAD (2011). In the context of South Africa, the industrial sector makes a significant contribution to the country's gross domestic product (GDP), accounting for approximately 17.4% of the total GDP. Furthermore, this sector plays a crucial role in employment generation, providing jobs for approximately 9% of the workforce. Additionally, the industrial sector is a major driver of the country's export activities, accounting for approximately 40% of the total value of exports. According to (Kungu, 2015), there is a positive correlation between the level of economic growth and the contributions made by the manufacturing sector to GDP, employment, innovation, and trade. The upward trend in manufactured exports, as well as the increasing proportion of exports relative to total production in various manufacturing sectors and the manufacturing industry as a whole, should be interpreted within the framework of a significant and protracted economic recession, accompanied by a substantial decline in manufacturing output.

Manufacturing companies in Kenya face an intensified global competition, for many the struggle for their survival involves an imperative to find new ways of development to enhance growth. Some of the manufacturing companies have remained dormant for too long and others have closed its doors (Okoth, Odunga, & Oduke, 2013). Despite the high room for investment a number of businesses have still remained uncompetitive, the development of manufacturing sector forms the foundation for the growth of manufacturing industry, and this has therefore been not the case in the manufacturing sector in Kenya. These have been compounded by globalization, shortening product lifecycles, rapid advancement in technology, increased standards requirements and changing consumer needs and preferences. Manufacturing industry play a critical role and they are more likely to be active in introducing changes in production processes and investing in more modern technologies than firms involved in service work (Welkenhuysen et al., 2017). There is also a belief that it is the most important sector in achieving long-term

economic growth in the local and regional economy (Welter, Smallbone, & Pobol, 2015) and where more investment is needed compared to other sectors as a prescriptive method of achieving economic development and sustained growth.

Ideally, investments are made into companies and industries with the intention to generate measurable and impressive financial return. In order to make revenues and gains in the future, investors or shareholders should be knowledgeable and qualified about investment decision so they can evaluate the potential investment and the most profitable business to spend their money based on their capital and returns, the time they will stick their money in long-term or short-term, the risk of investing in specific sector, and the opportunities they have. The importance of investment decision-making cannot be overstated since many of the factors that result in a firm's success or failure are directly tied to the choices of decisions made.

However, when wrong investment decisions are made, they are not easily reversible and if the firm persists or reverses them they may lead to bigger losses and can affect the growth, profitability and existence of the company. This is why it is significant for investors to be conscious of Financial Literacy to attain the most profitable decision in investing their money. Kenyan manufacturing sector growth depicts a worrying declining trend, the companies have been faced with major risks which affected their investment decisions and have continued to sink into un-proportional debt levels compared to their asset base (Bulle & Omagwa, 2017). According to KNBS, (2018), 2 of every 5 manufacturing companies in Kenya are reported to fail between two to three years after start. The above incidences clearly show that financial literacy is a serious concern that needs to be addressed to ensure companies don't end up downscaling operations or being wound up as a result of inadequate financial literacy skills. The process of making investment decisions in manufacturing companies has not been adequately researched; therefore this study is aimed at filling this gap in assessing moderating role of managerial tenure on the relationship between financial literacy and investment decision of food and beverage manufacturing companies in Kenya. The study general objective was to assess the moderating role of managerial tenure on the relationship between financial literacy and investment decision of Food and Beverage Manufacturing companies in Kenya. The study specific objectives were to evaluate the effect of rational factors literacy on investment decisions, to identify the effect of financial analytical skills on investment decisions, to find out the effect of irrational factor

management skills on investment decisions, to establish the effect of past performance awareness on investment decisions, to assess the moderating role of managerial tenure on the relationship between rational factors literacy on investment decisions, to evaluate the moderating role of managerial tenure on the relationship between financial analytical skills literacy on investment decisions, to establish the moderating role of managerial tenure on the relationship between irrational factors literacy on investment decisions, and to ascertain the moderating role of managerial tenure on the relationship between past performance awareness on investment decisions of food and beverage manufacturing companies Kenya.

2. Literature Review

The study reviewed literature in relation to the concept of investment decisions, financial literacy, managerial tenure theoretical framework and the empirical literature between financial literacy proxies and firm financial performance.

2.1. Concept of Investment Decisions

Investment decision making process is a critical process which depends upon various factors that may vary among individuals. People behave differently when making any types of decisions in life. Some make decision based on judgment while others consider many other factors that direct them to act upon such appropriate decision. The process of decision making becomes easy when all the confounding variables are well recognized by investors. The variables which direct them to make the right decision so that the losses can be avoided or reduced in the future (Awais, Laber, Rasheed, & Khursheed, 2016). Investment is the current commitment of money for a period of time in order to derive future payments that will compensate the investor for the time the funds are committed, the expected rate of inflation, and the uncertainty of the future payments. Investment involves making of a sacrifice in the present with the hope of deriving future benefits. Two most important features of an investment are current sacrifice and future benefit. Investment is the sacrifice of certain present values for the uncertain future reward. It involves commitment of funds in various investment avenues. Decision making has to be continuous, it involves numerous decisions such as type, mix, amount, timing, grade etc, of investment. Investment is concerned with the management of an investor's wealth which is the sum of current income and the present value of all future incomes (Levy, 2008). Decision-making is a process by which an individual respond to the opportunities and threats that confront him/her by analyzing the options and making determinations or decisions about specific goals

and course of action (Akinrinola, Enyi, & Akintoye, 2019). The investor as decision maker has no control over the states of nature that will prevail in future but the future states of nature will certainly affect the outcome of any strategy that an investor may adopt. The particular decision made will depend, therefore, on the decision makers, knowledge or estimation of how a particular future state of nature will affect the outcome of each particular strategy, however, high returns usually come with high risks; hence, the ultimate target for the investor is to select investments that balance risks and returns (Mottes, 2019).

2.2. Concept of Financial Literacy

Financial literacy studies generally define financial literacy as an interchangeable term with financial education, financial knowledge or financial sophistication in the literature (Boon, Yee, & Ting, 2011). Financial literacy refers to an evolving state of competency that enables people to respond effectively to ever changing personal and economic circumstances (Remund, 2010). It is the understanding ordinary investors have of market principles, instruments, organizations and regulations (Islam & Maleqe). The knowledge acquired enables an individual to evaluate the new and complex financial instruments and make informed judgments in both choices of instruments and extent of use that would be in their own best long-run interests (Widyastuti, Sumiati, Herlitah, & Melati, 2020). (Saha, 2016) further argue that individuals are considered financially literate, if they are competent and can demonstrate they have used knowledge they have learned in making investment decisions. Financial literacy in this study comprised of rational factors, financial analytical skills, irrational factors, and past performance awareness.

Rational Factors refers to the knowledge of concepts relating to financial management including interpreting books of accounts, Budgeting, Financial risk management, and saving goals (Huston, 2010). This is basically the knowledge of the management of the companies about the financial aspects of the company. This can be equated to the education level of the management of the company including specializations. According to (Chandra, 2008), rationality in the process of investment decision-making refers to two main factors, the exhaustive and objective treatment of available and potential information.

Financial analytical skills refer to the implementation of rational skills to execute financial practices including Skills on financial reporting and financial statements analysis Literacy on proper spending, Skills on financial intelligence (Lopus, Amidjono, & Grimes, 2019). Lopus et.al further clarifies that, it refers to the execution of financial management practices by the relevant finance employees in a competent manner

to achieve a desired goal. It relates to the actual calculations done to ensure that the investment returns can be estimated and regulated in the most effective way.

Irrational factors refer to the personality traits that dictate the ways in which a manager makes financial decisions relating to the company which include rumours, overconfidence, mental accounting, self-image of investment avenues and dependents behaviors respectively (Sultana, 2010). Sultan further states that irrational factors include the financial attitudes and the preferences that management have about an investment based on their demographics and personalities developed overtime due to certain experiences. The financial attitudes created vary based on every management hence the irrational factors vary.

Past performance awareness refers to the financial knowledge of the company relating to the last few years of its operations (Arianti, 2018). This past performance awareness include knowledge about the companies returns including the profitability, sales, growth and other aspects of the companies including its image to the public.

3. Theoretical Framework

The study was guided by Decision Theory, and Prospect Theory.

3.1. Decision Theory

The Decision theory was developed by (Myers & Warner, 1968) Vision is about the ideas and actions of people. The decision concept consists of two versions with defined and descriptive forms. The prescribed form states that one should choose an action that increases the expected consumption. The type of description proves that a person chooses an action course that maximizes expected use. In these cases, the decision-making process can be very important to reduce the risk of possible losses due to poor investment decisions (Kamau, 2018). The investment decision-making process is an important process that depends on a variety of factors that may vary from person to person due to the different human environment (Musundi, 2014).

In relation to this study Decision theory can provide relevant understanding in decision making process, managers behave differently when they make decisions. Some make decisions based on judgment and others may look at other things as free travel (situations where someone else has made those decisions and succeeded) to make investment decisions. When making investment decisions, investors face very complex

situations including risk, selective loading and ambiguity. These are the challenges facing investors, financial experts and analysts. Decision theory can help these companies to analyze and utilize their choices in various aspects of investment including market growth, product development, and risk management. The is theory is relevant to the study as it indicates how investment decisions is concerned with certain methods used to determine the best action course when a series of other methods can be assessed and their various consequences cannot be certainly forecasted.

3.2. Prospect Theory

The theory of prospect, initially introduced by Kahneman and Tversky in 1979, is a significant contribution to the field of investment decisions. The prospect theory pertains to the analysis of experimental outcomes related to decision-making problems that are characterized by objective monetary outcomes and probabilities. According to prospect theory, individuals tend to evaluate outcomes based on the deviations from their initial reference points rather than considering the absolute levels of assets. The prospect theory pertains to decision-making in the presence of risks, with a primary focus on the cognitive judgments that influence such decisions. Primarily, judgments are frequently derived from the examination of the external state of the world. Prospect theory is a theoretical framework that examines decision-making processes that are particularly complex due to the presence of uncertain conditions. Prospect theory relies on psychophysical models that focus on the concept of expected value proposition (Tversky & Kahneman, 1986). The prospect theory examines the tendency of individuals to exhibit risk aversion, particularly in situations characterized by favorable circumstances. Prospect theory exhibits certain characteristics that are akin to the concepts of expected utility. Prospect theory was formulated and introduced as a means to address the prevalent patterns observed in decision-making processes (Weirich, 1983). This theory is relevant to the study as it evaluates the fact that most individuals tend to be risk averse especially when things are going on smoothly, it addresses the decision making which are quite challenging based on uncertainty conditions.

4. Empirical Literature Review

The study reviewed literature in relation to:

4.1. Effect of Rational Factors Literacy on Investment Decisions

(Kaleem, Wajid, & Hussain, 2009), in their study of factors affecting financial advisors perception in portfolio management in Pakistan found that age, income, language and orientation of education have a significant role in determining the investment style of an investor, (Shanmugsundaram & Balakrishnan, 2011), found that age, gender, income and education affect investors' preference and attitudes towards investment decisions, (Shaikh & Kalkundrikar, 2011), argued that the factors influencing investors' investment decisions are based on various demographic factors like age, gender, marital status, level of income, level of market knowledge, educational qualification and the number of dependents, and (Geetha & Ramesh, 2012) studied the relevance of demographic factors in investment decisions in Tamilnadu, India, and claimed that the demographic factors have a significant influence over some of the investment decision elements, while insignificant influence was found on some other elements. (Aregbeyen & Mbadiugha, 2012) found that the ten most influencing factors on investor's decision in order of importance are; motivation by people who have attained financial security through share investment, future financial security, management team of the company, awareness of the prospects of investing, composition of the board of directors of companies and recent financial performance of the company and Ownership structure of the company.

4.2. Effect of Financial Analytical Skills on Investment Decisions

(Kumari, 2020), revealed that financial literacy positively and significantly influenced the undergraduates' investment decisions. Further, when focused on the dimensions of financial literacy, three dimensions have significantly made an impact on the level of investing decision. Among them, the most significant dimension was financial skills, (Roy & Jain, 2018) further noted that when people become more experienced in financial matters, they increasingly become financially sophisticated and it is predicted that individual become more financially competent, (Evans, 2006) studied on the subject perceptions of overconfidence and predictive validity in financial cues. The findings were that investors are generally overconfident regarding their ability and knowledge. The study also found that investors tend to underestimate the

imprecision of their beliefs or forecasts, and they tend to overestimate their ability. Finally, overconfident investors generally conduct more trade as they believe they are better than others at choosing the best properties and best times to enter or exit a position. Thus, overconfidence can cause investors to under-react to new information and that leads to earn significantly lower yields than the market. Also (Nguyen, Phung, & Nguyen, 2018) views that, overconfident individuals overestimate or exaggerate their ability to successfully perform a particular task. Many researchers studied overconfidence and analyzed the detrimental effects of overconfidence by investors; these studies revealed that investors were overconfident in their investing abilities and such will result in making investment mistakes. Therefore, according to previous researchers the overconfidence factor is one of the most detrimental biases that an investor can show, and this is because investors behavioral are naturally underestimating downside risk, trading too frequently, and holding under diversified portfolio (Laibson & List, 2015).

4.3. Effects of Irrational Factors Management on Investment Decisions

(Singh & Sharma, 2016), in their study on "Financial literacy & its impact on investment behaviour for effective financial planning" concluded that there exists a huge scope for imparting and carrying out the financial literacy for different sections of society to develop an insight for taking the effective investment decision by keeping in mind the various attributes that contributes toward the development of investment behaviour. It also shows that the financial literacy and awareness related to various financial instruments can help investors to take a valid informed decision for securing the financial future of self and dependents. The level of knowledge, level of interest and level of commitment for financial planning process plays a very crucial role in life of every investor which even provide a huge scope on behalf of market regulators and also on behalf of companies to spread the financial literacy in a simplified manner so that it helps an investor to plan for future in an everlasting manner. The demographic factors such as age, gender, education level, amount of investment, duration of investment also plays a very important role in preparing a road map for financial planning process. (Athur, 2014) found that investor decisions are influenced by illusion of control bias, representativeness, herd instincts, cognitive dissonance and hindsight biases. Also disagreed, that other behavioural factors such as self-attribution, risk aversion, over optimisms and loss aversion were shown to have no influence on investors' decisions and that the life of investment decision makers becomes more complex as a result of the large mass of information available in the market, and the

breath taking high speed at which this information spreads in the market. Additionally, one investor's behavior will most definitely affect the decisions of other investors. He further states that even though operating in a vacuum is discouraged, investors should employ more professional judgment and skepticism when evaluating the mass action of other investors in the market.

4.4. Effects of Past Performance Awareness on Investment Decisions

According to (Hsiao & Tsai, 2018) being in a position to tell the best way to manage your resources and assets in any given investment require one to be well informed of the whole process. When choosing an investment, one is advised to be much aware of the risk and return relationship, so as to take a risk that one is able to tolerate. The assessment of different investment opportunity calls for financial education to understand the role of the parameter. The source of financial education is therefore essential. Financial awareness focuses on need of financial education and the source of financial education. Financial education is increasingly important for all individuals in fact, it is essential for every family trying to balance its budget, acquire a home, to fund the children's education and ensuring that there will be income when parents retire. (Musundi, 2014) found that past decisions impact the decisions individuals make in the future. It is a fact that when something positive results from a decision, individuals are more probable to decide in a related way, given a similar position, individuals also tend to bypass reiterating previous errors. This is true to the extent that expected decisions made based on previous experiences are not significantly the best decisions.

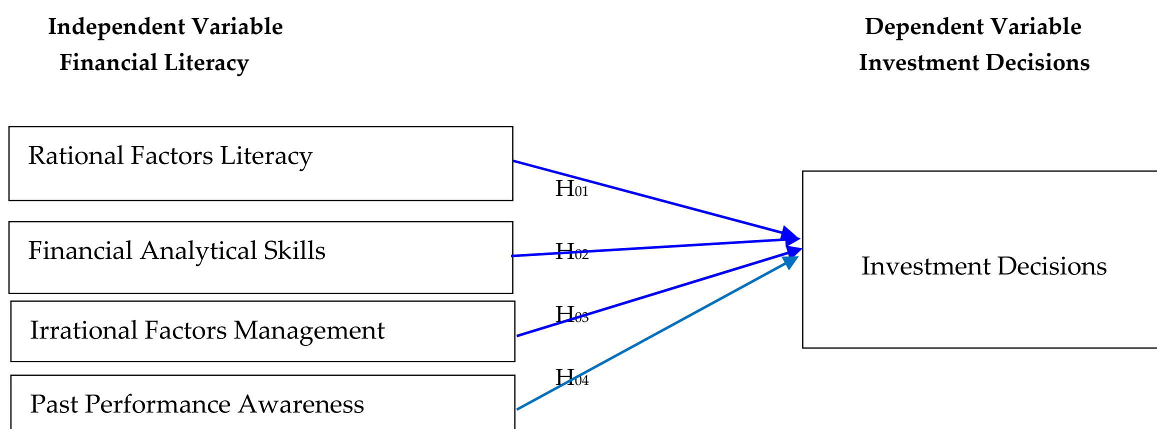

Figure 1. Conceptual Framework

5. Research Methodology

The study target population consisted of 250 Chief Finance Officers derived from Food and Beverage companies that are registered with Kenya Association of Manufacturers. The study employed descriptive survey sampling technique to select the respondents. This study used primary data. Structured questionnaires were used to collect data relevant to the study. Data was analyzed by means of Descriptive statistics in terms of frequency distribution, percentages, mean and standard deviation to summarize and profile the pattern in each firm. In addition, regression analysis was employed to establish the nature and significance of the relationship between independent variables and the dependent variable.

Table 1. Measurements of Variables

VARIABLES	MEASUREMENT	SOURCE	TESTS
INVESTMENT DECISIONS	✓ Sales growth ✓ Profitability ✓ Return on Asset ✓ Market share	(Annamalah, Raman, Marthandan, & Logeswaran, 2019)	Scale (5-point Likert Scale)
RATIONAL FACTORS LITERACY	✓ Books of accounts ✓ Record maintenance ✓ Budgeting ✓ Savings goals ✓ Financial Risk Management	(Sharma, Goyal, & Sharma, 2014)	Scale (5-point Likert Scale)
FINANCIAL ANALYTICAL SKILLS	✓ Skills on Financial reporting and analysis ✓ Financial statements analysis ✓ Skills on proper spending ✓ Skills on financial intelligence	(Hallberg, 2012)	Scale (5-point Likert Scale)
IRRATIONAL FACTORS MANAGEMENT	✓ Investment on Rumors ✓ Investment on Trading pressure ✓ Level of Over confidence ✓ Reputation of the company	(Sharma et al., 2014)	Scale (5-point Likert Scale)
PAST PERFORMANCE AWARENESS	✓ Firms status in the industry ✓ Awareness in inflation rates ✓ Investment decisions on past records ✓ Market value fluctuations ✓ Calculation of expected returns and risks	(Gill, Khurshid, Mahmood, & Ali, 2018)	Scale (5-point Likert Scale)
MANAGERIAL TENURE	✓ Number of years in Industry ✓ Number of years working for the company ✓ Number of years in financial management position	(Gan, 2019)	

6. Results

Table 2 presented descriptive statistics for various variables related to investment decision-making, rational factors and irrational factors management, and past performance awareness after the transformation of the data. The first variable represented the overall score or rating of respondents' investment decisions. The mean value of 3.8472 indicates a moderate to high level of agreement or effectiveness in investment decision-making among the targeted individuals. The standard deviation of 0.83310 suggested a relatively low level of variability in the responses. Rational factors encompass elements of logical and analytical decision-making processes in investments. The mean value of 3.5696 suggested a moderate level of agreement with rational decision-making approaches. The standard deviation of 0.90858 indicated some variability in respondents' adherence to rational factors. This variable reflected the proficiency of respondents in financial analysis and decision-making. The mean value of 3.8840 indicated a relatively high level of financial analytical skills among the surveyed individuals. The standard deviation of 0.86556 suggested some variability in the proficiency levels across respondents. Irrational factors management pertains to the handling of emotional or non-logical aspects in investment decisions. The mean value of 3.3165 suggested a moderate level of effectiveness in managing irrational factors. The standard deviation of 0.74648 indicated relatively low variability in responses. This variable measures respondents' awareness and consideration of past performance in investment decision-making. The mean value of 3.6684 indicated a moderate to high level of awareness among the surveyed individuals. The standard deviation of 0.86762 suggested some variability in the extent to which respondents consider past performance.

Table 2. Descriptive Statistics for the Variables

	N	Minimum	Maximum	Mean	Std. Deviation
Investment Decisions	237	1.11	5.00	3.8472	.83310
Rational Factors	237	1.00	5.00	3.5696	.90858
Financial Analytical Skills	237	1.00	5.00	3.8840	.86556
Irrational Factors Management	237	1.40	5.00	3.3165	.74648
Past Performance Awareness	237	1.20	5.00	3.6684	.86762
Valid N (listwise)	237				

The study used Pearson’s correlation to conduct the correlation analysis. The table 3 results showed that the rational factors had a strong positive and significant (r=0.704, p=0.000) relationship with investment

decisions, meaning that when rational factors are increased it increases investment decisions. The second variable, financial analytical skills revealed a strong positive and significant (r=0.806, p=0.000) relationship with investment decisions. The third variable, irrational factors management also showed a moderate positive and significant (r=0.578, p=0.000) relationship with investment decisions. Finally, past performance awareness had a positive strong and positive (r=0.686, p=0.000) relationship with investment decisions.

Table 3. Correlations Matrix

		Investment Decisions	**Rational Factors**	**Financial Analytical Skills**	**Irrational Factors Management**	**Past Performance Awareness**	**Managerial Tenure**
Investment Decisions	Pearson Correlation	1					
	Sig. (2-tailed)						
Rational Factors	Pearson Correlation	.704**	1				
	Sig. (2-tailed)	.000					
Financial Analytical Skills	Pearson Correlation	.806**	.764**	1			
	Sig. (2-tailed)	.000	.000				
Irrational Factors Management	Pearson Correlation	.578**	.692**	.664**	1		
	Sig. (2-tailed)	.000	.000	.000			
Past Performance Awareness	Pearson Correlation	.686**	.688**	.837**	.645**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		

**. Correlation is significant at the 0.01 level (2-tailed).
b. Listwise N=237

The table 4 presents the regression results. The results revealed that the first variable, rational factors had a positive and significant (β=0.203; p=0.000) relationship with investment decisions. This indicated that a unit change in rational factors leads to an increase in investment decisions by 0.203. The second variable, financial analytical skills had a positive and significant (β=0.475; p=0.000) relationship with investment decisions, meaning that a unit change in financial analytical skills increases investment decisions by 0.475. The third variable, irrational factors management had a positive significant (β=0.912; p=0.000) relationship with investments decisions, suggesting that a unit change in irrational factors management leads to an

increase in investment decisions by 0.912. Finally, the past performance awareness had a positive significant (β=0.593; p=0.000) relationship with investment decisions, implying that a unit change in past performance awareness leads to an increase in investment decisions by 0.593.

Table 4. Regression Results

Variable	coefficients	p-values
Constant	-0.660	0.000
Rational Factors	0.203	0.000
Financial Analytical Skills	0.475	0.000
Irrational Factors Management	0.912	0.000
Past Performance Awareness	0.593	0.000

Dependent Variable: Investment Decisions

7. Discussions

The results showed that the rational factors positively affected investment decisions. The p values was less than 0.05 therefore the study rejected the null hypothesis that there was no significant relationship between rational factors and investment decisions and concluded that rational factors significantly affects investment decisions. This was in line with the findings by (Kaleem et al., 2009), in their study of factors affecting financial advisors perception in portfolio management in Pakistan found that age, income, language and orientation of education have a significant role in determining the investment style of an investor, (Shanmugsundaram & Balakrishnan, 2011), found that age, gender, income and education affect investors' preference and attitudes towards investment decisions, (Shaikh & Kalkundrikar, 2011), argued that the factors influencing investors' investment decisions are based on various demographic factors like age, gender, marital status, level of income, level of market knowledge, educational qualification and the number of dependents, and (Geetha & Ramesh, 2012) studied the relevance of demographic factors in investment decisions in Tamilnadu, India, and claimed that the demographic factors have a significant influence over some of the investment decision elements, while insignificant influence was found on some other elements. The findings by (Aregbeyen & Mbadiugha, 2012) also supported the results that the ten most influencing factors on investor's decision in order of importance are; motivation by people who have attained financial security through share investment, future financial security, management team of

the company, awareness of the prospects of investing, composition of the board of directors of companies and recent financial performance of the company and Ownership structure of the company.

The financial analytical skills positively affects investment decisions. The p value was less than 0.05 therefore, the null hypothesis that there was no significant relationship between financial analytical skills and investment decisions was rejected and the study concluded that financial analytical skills significantly affects investment decisions. This was in line with the findings by (Kumari, 2020), revealed that financial literacy positively and significantly influenced the undergraduates' investment decisions. Further, when focused on the dimensions of financial literacy, three dimensions have significantly made an impact on the level of investing decision. Among them, the most significant dimension was financial skills, (Roy & Jain, 2018) further noted that when people become more experienced in financial matters, they increasingly become financially sophisticated and it is predicted that individual become more financially competent, (Evans, 2006) that studied on the subject perceptions of overconfidence and predictive validity in financial cues. The findings were that investors are generally overconfident regarding their ability and knowledge. The study also found that investors tend to underestimate the imprecision of their beliefs or forecasts, and they tend to overestimate their ability. Finally, overconfident investors generally conduct more trade as they believe they are better than others at choosing the best properties and best times to enter or exit a position. Thus, overconfidence can cause investors to under-react to new information and that leads to earn significantly lower yields than the market. Also (Nguyen et al., 2018) views that, overconfident individuals overestimate or exaggerate their ability to successfully perform a particular task. Many researchers studied overconfidence and analyzed the detrimental effects of overconfidence by investors; these studies revealed that investors were overconfident in their investing abilities and such will result in making investment mistakes. Therefore, according to previous researchers the overconfidence factor is one of the most detrimental biases that an investor can show, and this is because investors behavioral are naturally underestimating downside risk, trading too frequently, and holding under diversified portfolio (Laibson & List, 2015).

Irrational factors management positively affected investment decisions. The p value was less than 0.05 indicating that the study rejected the null hypothesis that there was no significant relationship between irrational factors management and investment decisions and concluded that irrational factors management

significantly affects investment decisions. This was in agreement with the findings by (Singh & Sharma, 2016), in their study on "Financial literacy & its impact on investment behaviour for effective financial planning" concluded that there exists a huge scope for imparting and carrying out the financial literacy for different sections of society to develop an insight for taking the effective investment decision by keeping in mind the various attributes that contributes toward the development of investment behaviour. It also shows that the financial literacy and awareness related to various financial instruments can help investors to take a valid informed decision for securing the financial future of self and dependents. The level of knowledge, level of interest and level of commitment for financial planning process plays a very crucial role in life of every investor which even provide a huge scope on behalf of market regulators and also on behalf of companies to spread the financial literacy in a simplified manner so that it helps an investor to plan for future in an everlasting manner. The demographic factors such as age, gender, education level, amount of investment, duration of investment also plays a very important role in preparing a road map for financial planning process. Also (Athur, 2014) that investor decisions are influenced by illusion of control bias, representativeness, herd instincts, cognitive dissonance and hindsight biases. Also disagreed, that other behavioural factors such as self-attribution, risk aversion, over optimisms and loss aversion were shown to have no influence on investors' decisions and that the life of investment decision makers becomes more complex as a result of the large mass of information available in the market, and the breath taking high speed at which this information spreads in the market. Additionally, one investor's behavior will most definitely affect the decisions of other investors. He further states that even though operating in a vacuum is discouraged, investors should employ more professional judgment and skepticism when evaluating the mass action of other investors in the market.

The past performance awareness results showed a positive relationship with investment decisions. The p value was less than 0.05 suggesting that the study rejected the null hypothesis that there was no significant relationship between past performance awareness and investment decisions and concluded that past performance awareness affects investment decisions. This was in line with the findings by (Hsiao & Tsai, 2018)that being in a position to tell the best way to manage your resources and assets in any given investment require one to be well informed of the whole process. When choosing an investment, one is advised to be much aware of the risk and return relationship, so as to take a risk that one is able to tolerate. The assessment of different investment opportunity calls for financial education to understand the role of

the parameter. The source of financial education is therefore essential. Financial awareness focuses on need of financial education and the source of financial education. Financial education is increasingly important for all individuals in fact, it is essential for every family trying to balance its budget, acquire a home, to fund the children's education and ensuring that there will be income when parents retire. This was also supported by (Musundi, 2014) findings that past decisions impact the decisions individuals make in the future. It is a fact that when something positive results from a decision, individuals are more probable to decide in a related way, given a similar position, individuals also tend to bypass reiterating previous errors. This is true to the extent that expected decisions made based on previous experiences are not significantly the best decisions.

8. Conclusions

The study revealed that management's understanding of financial management concepts like interpreting financial statements, budgeting, risk management, and savings goals significantly influences investment decisions. This highlighted the importance of financial literacy and strategic planning in guiding management towards informed and beneficial investment choices. Organizations benefit from enhancing managerial proficiency in these areas, ensuring more effective allocation of resources and improved financial outcomes. Such insights emphasize the importance of equipping decision-makers with the necessary knowledge and skills to navigate complex financial landscapes and drive sustainable investment strategies. The research confirmed that having good financial skills helps managers make better investment decisions. When managers understand things like reading financial reports, analyzing statements, spending wisely, and being financially smart, they tend to make smarter investment choices. This showed how important it is for managers to have these skills. By learning and practicing these skills, managers can make wiser decisions about where to invest money. This can make a big difference for companies, helping them grow and succeed in the long run. So, it's really valuable for managers to keep improving their financial skills. The study found that handling irrational factors well can make investment decisions better. When managers improve how they deal with their personal traits affecting financial decisions, the firm's investment choices get better too. This showed the importance of understanding and managing emotions in making financial decisions. By working on these traits, companies can make smarter investment

decisions, leading to better outcomes and success in the long run. So, it's important for managers to focus on improving how they handle these factors for the benefit of the firm.

The study discovered that knowing about the company's past performance helps in making better investment decisions. When managers are aware of how the company has been doing in recent years, they can make choices that make the company's investments better. This shows how important it is for managers to understand the company's history when making decisions about where to invest money. By paying attention to past performance, managers can make smarter choices that benefit the company's investments, leading to growth and success in the future.

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