ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

ASSESSMENT OF THE LEVEL OF FINANCIAL LITERACY AMONG BANKERS

: THE CASE OF BERHAN BANK SHARE COMPANY

BY

KEFELEGN GIRMA

THESIS SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES OF ADDIS ABABAUNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE DEGREE OF MASTER OF SCIENCE IN ACCOUNTING AND FINANCE

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ADDIS ABEBA, ETHIOPIA

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ADVISOR

HABTAMU BERHANU (PhD)

JUNE, 2019

ADDIS ABEBA, ETHIOPIA

DECLARATION

I Kefelegn Girma hereby declare that this study entitled “Assessment on the level of financial literacy of Bankers: The case of Berhan Bank SC” is my own work. All information in this document has been obtained and presented in accordance with academic rules and ethical conduct.

Student Researcher

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Kefelegn Girma

Date: June 15/2019

ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS OF GRADUATE STUDIES

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BY

KEFELEGN GIRMA

APPROVED BY A BOARD OF EXAMINERS:

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Dean Graduate Studies	Signature	Date
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Advisor	Signature	Date
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External Examiner	Signature	Date
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Internal Examiner	Signature	Date

ENDORSEMENT

This Thesis, Titled "Assessment of the Level of Financial Literacy Among Bankers In Addis Ababa: The case of Berhan Bank SC" Has Been Submitted To Addis Ababa University ,College of Business And Economics Graduate Studies for Accounting And Finance Program with my Approval as a University Advisor.

____________________	____________________	__________________
Advisor	Signature	Date

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ACRONYMS/ABBREVIATION

AC: Accounting and Finance

FLB: Financial Literacy of Bankers

SC: Share Company

OECD: Organization for Economic Cooperation and Development

SLT: Social Learning Theory

PT: Psychosocial Theory

DPT: Dual-Process Theories

SCM: Supply Chain Management

Abstract

Several studies have confirmed that, large parts of the world's population lack financial knowledge they need to fully participate in the economy or to make informed decisions about their own financial future. It is against this background that this study assesses financial literacy level of clerical staffs of berhan bank SC in Addis Ababa. Purposive nonrandom sampling technique was employed to select 420 bankers using questionnaire as the research instrument. The relationship between the financial literacy and bankers' characteristics such as gender, marital status, level of study, and academic programmer offered was also examined. The overall results indicate that bankers in berhan bank sc in Addis Ababa have inadequate financial knowledge. The study found that majority of bankers has a low level of financial literacy with an average financial literacy score of 52.09%. Surprisingly, this survey revealed that female bankers have more financial knowledge than male bankers. Bankers who are married, borne in urban region and have better educational level are more financially knowledgeable than the others with a moderate level of financial literacy. It was found that major of participants have lower knowledge about savings and borrowings, insurance, and investment. One factor that can be attributed to low financial knowledge is lack of sound financial education. It has therefore been recommended that financial literacy is the source of the competitiveness of bankers in the banking industry. Also the top management of the bank has to give attention to financial knowledge in order to uplift the level of financial literacy.

Key Words: Financial literacy, term insurance, personal financial literacy, personal financial planning, Level of financial literacy, Bankers, Berhan bank SC, Respondents.

CHAPTER ONE

INTRODUCTION

1. 1 BACKGROUND OF THE STUDY

The word literacy has perhaps evolved beyond its conventional meaning in contemporary times. It is not just understood as one's ability to read and write, but perhaps a measure of one's learning or mastery of a thing, an art or a discipline. A financial literate is therefore not necessarily a graduate or a teacher of finance, but one who is able to make the best use out of money (Edward, 2014).

There are several definitions for financial literacy. Garman and Gappinger (2008, p. 83) defined financial literacy as ones' "knowledge of facts, concepts, principles, and technological tools that are fundamental to being smart about money". Mason and Wilson (2000) also defined financial literacy as a "meaning-making process" in which individuals use a combination of skills, resources, and contextual knowledge to process information and make decisions with knowledge of the financial consequences of that decision.

Financial literacy was defined in the UK by Noctor, Stoney and Stradling (1992, p.4) as 'the ability to make informed judgments and to take effective decisions regarding the use and management of money'. This definition was operationalized by Schagen and Lines (1996) proposing that a financially-literate person would enjoy a range of abilities and attitudes comprising: an understanding of the key concepts central to money management, a working

knowledge of financial institutions, systems and services, a range of "analytical and synthetically" skills, both general and specific, and attitudes which allow effective and responsible management of financial affairs.

Regardless of this definition of, and the skills required for, financial literacy, financial analysts in many countries have emphasized that there is insufficient personal financial literacy in the world.

The importance of financial literacy has been on the rising with the deregulation of the financial markets and the easier access to credit as financial institutions compete strongly with each other for market share, the rapid growth in development and marketing of financial products, and the government's encouragement for people to take more responsibility for their retirement incomes (Beal and Delpachitra, 2003; Abraham and Marcolin, 2006). In addition, financial literacy can prevent the berhan bankers from engaging in unprofitable ventures.

The national and international regulatory authorities, especially within the Organization for

Economic Co-operation and Development countries, have been conducting several studies on this topic in order to determine the levels of financial literacy of the population, and to establish financial education programs that would raise these levels and therefore positively influence the consumers' behavior related to financial products and services.

Currently, there are about nine (9) public universities and thirty two (32) private universities and colleges in Ethiopia and these results in a tremendous increase in the number of bankers.

Hence, our government had introduced an educational loan offered under the Students Loan

(I.e. cost sharing) as an alternative to lessen the parents' burden for supporting the cost of education. In addition, most of the bankers enjoy their first experience of financial independence during their university life and this means that they are responsible in their own financial decision making. Since they have expanded purchasing power, this had made the berhan bank clerical staffs one of the important participants of the market segments.

However, Ethiopia as a part of the developing countries has lower financial literacy level compared to other countries and this is further supported by the minimal percentage of the society knowledge on items like saving, investing and budgeting (Junior Achievement, 2009).

In our educational institutions, topics on personal finance are still considered minimal. If there are programs or activities on it, they are never addressed directly to young consumers especially those between ages 19 to 25 years (Ibrahim et al, 2009).

1.2 Statement of the Problem

Financial literacy has been an issue in many countries including developed and westernized societies. The cost of low financial literacy rates is substantial for the society and has been clearly identified by researchers (Joo and Garman: 1998, Cuter and Delvin: 2000).The financial decisions made early in life create habits difficult to break which affect bankers' ability to become financially secure adults (Martin andOliva, 2001). Mandell(2004) study shows average personal financial scores declining since the first survey of 1997. Bankers in their career have limited financial knowledge which is a burden to the national economy.

Currently, bankers represent a considerable part of berhan bank SC's population and their level of financial literacy will soon impact the overall economy. It is estimated that very soon number of bankers will soon catch up with large parts of the number of financial market. Since bankers are expected to have higher earnings in the financial sector, and the are also expected to be financially literate or at least more literate as a part of their preparation for a career.

Bankers sometimes find themselves wanting at the early days to improve their financial knowledge. Mandell (2001), recognized that there are many problems facing situation if they didn't get a finance concept for themselves (personal finance) when they were in the finance sector. Problems may include bankruptcy, poor retirement planning, and debilitating debt. Some bankers in the banking sector lack the awareness of money management, insurance, investment, saving, and spending, and how they can equip themselves with finance knowledge to take charge of their finances and personal decisions. In this global world of today, bankers can never hide from personal financial literacy and decision making.

In the light of the above circumstances, this study seeks to explore the level of financial literacy among bankers of berhan bank SC in Addis Ababa competency in the field.

Accordingly, the study sets out to answer the following questions:

i. What is the effect of demographic characteristics on financial literacy levels among employees?

ii. What is the effect of socio-economic factors on financial literacy levels among employees?
iii. What is the effect of the sources of information & financial advice used on financial literacy levels among employees?

1.3. Objectives of the study

1.3.1 General Objectives of the Study

The main objective of this study is to assess the level of financial literacy of bankers of the berhan bank SC.

1.3.2. Specifics objectives of the study

To achieve the general objective, the following specific objectives are farmed to guide the study.

a. To determine the effect of demographic characteristics on financial literacy levels among employees.
b. To investigate the effect of socio-economic factors on financial literacy levels among employees.
c. To establish the effect of the sources of information & financial advice used on financial literacy levels among employees.

1.4 Significance of the Study

The study is reasonable on the basis that it will serve as good grounds for theory development which would give insight that would be useful to assess the financial literacy among bankers and to identify the their levels of financial literacy. This would be a useful resource which would be beneficial to berhan bank staffs to improve on their financial knowledge. The recommendations from the study will also assist the top level managements of berhan bank SC to streamline their operations to ensure that the academic knowledge of the clerical staffs on financial literacy is well structured. Also other private and government bankers such BOA, ADIB, UB etc and CBE will also know the level of financial literacy of their staffs and make the right provisions to address it.

1.4.1 Scope of the Study

The researcher was restricted the scope of the study to the Brhan Bank of Ethiopia which includes all branch in Addis Ababa branch offices and taken the sample from the total population of Berahn bank Addis Ababa region branch office employees.

1.4.2 Limitation of the study

The main limitation of this study was that the researcher has lack of experience to conduct well organized research before; this created its own negative influence on the study. Financial literacy of Bankers has a wide field of study but on this study the researcher was limited the study only on Berhan Bank Addis Ababa Branch offices; this might create also negative impact on study to the conclusion and recommendation part as well.

1.5Definition of terms

Financial literacy is the ability to understand how money works in the world: how someone manages to earn or make it, how that person manages it, how he/she invests it (turn it into more) and how that person donates it to help others. Precisely, it refers to the set of skills and knowledge that allows an individual to make informed and effective decisions with all of their financial resources (Power, 2013).

The National Financial Educators Councils defines financial literacy as "possessing the skills and knowledge on financial matters to confidently take effective action that best fulfils an individual's personal, family and global community goals" (NFEC, 2014).

Although financial literacy definition is varied, most have similar components. Each of the financial literacy definitions refer to the importance of having the skill sets and knowledge to make informed decisions.

1.6 Organization of the Study

The study has five chapters. The first chapter included the general background of the study, statement of the problem, basic research question, general and specifics objectives, significance of the study, scope of the study, limitation of the study, and definition of terms. The second chapter deals with reviews of literature both Theoretical and Empirical Literature review discussed. The third chapter presented the research methodology used in the study. The detail data analysis, Interpretation and result presented in chapter four. At the end Summary of Finding, Conclusion and possible recommendation were presented in the final chapter of chapter five.

CHAPTER TWO

LITERATURE REVIEW

This chapter reviews previous studies on financial literacy, financial education, and financial behaviors. The chapter includes the reviewed selected literature that summarizes a diverse spectrum of views on assessment of financial literacy levels. This includes; theoretical review, conceptual framework, measurement of financial literacy, empirical review and summary of literature review. The chapter starts with some of the difficulties with financial literacy research that include a lack of a standard definition and measurement tool.

2.1. Defining and Measuring Financial Literacy

One of the difficulties with financial education is the lack of standard definition of financial literacy (Hastings et al, 2013; Remund, 2010; Huston, 2010; McCormick, 2009; Fox and Bartholomae, 2008). In many studies the terms financial literacy, knowledge, and education may be used interchangeably (Huston, 2010).

There are lists of various definitions of financial literacy in different studies. Specific definitions are given only if the author(s) directly stated that this is their definition of financial literacy. The listing shows that there is no standard definition, with some studies including knowledge of financial literacy and with others stating that people must be able to make sound financial decisions to be financially literate.

After due consideration of different views and the feasibility of using the definition for research, the OECD definition of financial literacy was adopted for the study, which defines it as, a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing (OECD, 2011). The key competencies of financial literacy are: money basics, budgeting, saving and planning, borrowing and debt literacy, financial products and recourse; and self-help. Money basics relate to the knowledge, skills and understanding required for the most essential day to day calculations. Examples include numeracy and money management skills. Numeracy is the skill which allows people to assess the suitability of expenses for themselves. Numeracy is the foundation of considering which financial products are cost effective. Also, numeracy has been found to play an important role in influencing saving and even budgeting.

2.2. Theoretical Review

The study reviewed key theories that provide an insight into the personal and social determinants of financial decision making. Many will agree that it is never too early to learn how to spend and save money wisely. The benefits of financial literacy do not have an impact only on the learner or the financial educated fellow, but also works entirely in each individual's life. Research has shown that financial literacy is beneficial for individuals and families (Blalock et al., 2004; Danes and Hira, 1987; « Grable and Joo, 1998; Hibbert and Beutler, 2001; Kerkmann, Lee, Lown, and Allgood, 2000).

Financial literacy increases ones thinking ability and also helps in decision making such as; saving, budgeting, and investing etc. It also decreases their chances for bankruptcy, receiving government assistance (Bauer et al., 2000; Blalock et al, 2004; Huston et al., 2003), and making poor financial decisions (Grable and Joo, 1998;Hayhoe; et al; 2000). Bankers who lack financial knowledge have increased financial difficulties that continue into later years (Danes &Hira, 1987; Hibbert and Beutler, 2001; Hira, 2002). Chen and Volpe (1998) found that Bankers with less financial knowledge-laid more negative opinions about finances and made more incorrect financial decisions. They point out that having a low level of financial knowledge limits Bankers ability to make informed decisions. Danes and Hira related Bankers financial behavior to their future earning capacity. Danes (1994) mentioned that a higher level of financial knowledge was positively correlated to a higher level and regular source of income as well as a higher savings rate.The financial habits Bankers have while in their work tend to carry on into adult life. The better their financial literacy, the fewer financial hardships they may have in life (Grable and Joo, 1998).

Financial education influences financial knowledge, attitudes, and behaviors (Ajzen and Fishbein, 1980; Grable and Joo, 1998; Varcoe and Wright, 1991). Financial education increases financial knowledge and affects financial attitudes (DeVaney et al; 1996; Grable and Joo, 1998;

NEFE, 1998). For example, Fletcher et al; (1997) completed a post assessment of financial knowledge, attitudes, and behaviors to evaluate the effectiveness of Iowa State's personal finance workshops and found that participants had improved knowledge, attitudes, and behaviors. Increased financial knowledge was also found to influence Bankers attitudes positively toward business in general and their ability to be wise consumers in society (Langrehr, 1979). Lyons and Hunt (2003) found that Bankers want to receive financial information and have a preference about how financial education is taught, who teaches it, and what the content is. Also, although perceived economic wellbeing may differ by gender (Leach, et al; 1999), Grable and Joo (1998) found that financial education "levels the playing field" in regards to gender differences and "is effective in changing knowledge, attitudes, and behavior's" (p. 213). Increasing financial knowledge through education was found to be significantly related to risk tolerance, financial attitudes, and saving and investing behavior.

There are several specific benefits of financial literacy. Increasing financial literacy is a way to increase empowerment and improve the quality of life (Knapp, 1991; Voydanoff, 1990). Energy, thought, and time are spent pursuing money and limiting the unnecessary waste of money. Thus, when Bankers gain more knowledge and more positive attitudes towards money, they make a better decision, which save resources and improves their situation (Knapp, 1991).

Financial literacy also promotes self-confidence, control, and independence (Allen et al., 2007; Conger et al., 1999). This comes by feeling in control and knowing how to function in a complex marketplace. When consumers feel they are in control of their finances, they are more likely to participate in the marketplace (Knapp, 1991).

Another benefit of financial literacy is increased physical, emotional, and psychological well-being. Norvilitis et al. (2003) found that perceived financial well-being in Bankers appeared to be related to psychological well-being, an ability to be more in control of their lives, and having lower levels of dysfunctional attributes. Economic stress is associated with depression, anxiety, and psychological distress (Voydanoff, 1990) as well as emotional distress and internalizing problems (Conger et al., 1999). Sobolewski and Amato (2005) found that economic hardship negatively affects the parent-teen relationship, Bankers educational attainment, and Bankers earned income. Financial literacy goes beyond knowledge about money; it includes being a wise consumer of foods (increasing one's health) and other purchases such as cars (affecting their safety and the environment) (Knapp, 1991). Thus, increasing financial literacy can affect Bankers physical health and safety as well as their psychological well-being.

The financial literacy of Bankers can also affect their current and future family relationships. Hibbert and Beutler (2001) confirmed previous studies that found financial issues to be a common source of conflict in personal, marital, and family relationships. These authors also found that the quality of family life was perceived to be greater where financial self-reliance was more highly valued. Families who spent less than they earned, paid bills on time, and avoided unnecessary debt had fewer family tensions and an increased sense of self-worth.

Families who were poor managers of their finances experienced more unkindness, less communication, and a lower quality of life (Hibbert and Beutler, 2001). Voydanoff (1990) noted that economic stress is associated with low levels of family satisfaction and that higher levels of income are modestly associated with greater marital and family satisfaction. Banker's sense of control and self-mastery are also lower when they experience economic distress (Conger et al., 1999). Thus, as financial literacy is increased, quality of life should improve.

Another benefit of increased financial literacy is an increase in marital satisfaction. Kerkmann et al. (2000) found that behaviors and perceptions of finances as well as problems and their perceived magnitude were significantly related to marital satisfaction. Some have suggested that financial problems are one of the leading causes of marital conflict and divorce (Amato and Rogers, 1997; Cleek and Pearson, 1985). Oggins (2003) found that in both the first and third years of marriage the top reason for marital disagreement was that of finances. Conger et al. (1990) found that economic difficulties affected family relationships through increased hostility in marital interactions while limiting warm and supportive behavior's expressed by the couple. Financial behaviors are important in marriage because good financial behavior's such as budgeting, paying down debt, saving, and spending less than one earns increase marital satisfaction more than just what one earns (Kerkmann et al., 2000). For example, Kerkmann et al. found that when couples argue about finances, they tend to disagree more about how available finances should be managed or spent rather than about how much or how little they have.

2.2.1. Social Learning Theory (SLT)

SLT illustrates how social factors (such as sources of information &financial advice) influence in shaping a person's behavior. The financial attitudes and values people have about money come from their environment. The effects of social interactions on individual behavior have been modeled, tested and applied to a wide variety of situations (Glaeser& Scheinkman, 2003). Social interaction may affect financial decisions as people receive and process information through interacting with others. In a US 401(k) pension plan participation study, Duflo& Saez (2002) found that peer effects influenced retirement savings decisions because many people had not carefully thought through the advantages and disadvantages of particular plans for themselves. Many employees used information from peers when deciding on participation as they may lack their own reasoned information for making sound retirement investment decisions. Moreover, beliefs about social norms will additionally influence employee decisions due to a desire to behave similarly to those in their social group (Berkowitz, 2003).

2.2.2. Psychosocial Theory (PT)

PT focuses on developmental conflicts that are also relevant to financial behavior: trust, will power, and self-regulation which is requires one financial security to trust banks and other financial authorities in being responsible with one's money (FDIC, 2009). Guiso (2008) found that mistrusting individuals were less likely to buy stocks, and, if they did, they bought less. As evidenced by the recent financial crisis, the ability to ascertain who to trust is critical to making appropriate financial sound decisions.

PT supports financial literacy education for preadolescents, the stage at which will power and self-regulation is hypothesized to develop. According to this theory, the engagement in positive financial decisions is dependent on the positive identity, self-confidence and independence that develops during adolescence and continues into adulthood. Here the role of primary caregivers is critical, but the social and cultural norms of the family and community are also important. Falicov (2001) concluded that the social context of family life, individual boundaries, and human interactions play a significant role in how money is viewed among bankers of berhan bank SC in Addis Ababa branches. This is illustrated by research showing that the percentage of stock ownership in a community makes an individual more likely to participate themselves (Brown et al., 2008).

2.2.3. Dual-Process Theories (DPT)

DPT embraces the idea that decisions can be driven by both intuitive and cognitive processes (Evans, 2008). Although DPT comes in many different forms, they all agree on distinguishing two main processing mechanisms. One of the processes can be characterized as fast, non-conscious, and tied to intuition (System 1), and the other as slow, controlled, and conscious (System 2) Stanovich& West (2000). System 2 is responsible for analytical and rational thinking (Stanovich& West, 2000) which is needed to consistently implement a financially literate investment strategy. Goel& Dolan (2003), Sanfey et al. (2006) provide neuropsychological evidence for dual processes. In psychology, a dual process theory provides an account of how thought can arise in two different ways, or as a result of two different processes. Often, the two processes consist of an implicit (automatic), unconscious process and an explicit (controlled), conscious process. When we’re making decisions, we use two different systems of thinking. System 1 is our intuition or gut-feeling: fast, automatic, emotional, and subconscious. System 2 is slower and more deliberate: consciously working through different considerations, applying different concepts and models and weighing them all up.

A lot of people have popularized the idea to trust your intuition, but surely there are situations where we shouldn’t trust it, right? So we should instead be asking not whether to trust it, but when to. One takeaway from the psychological research on DPT is that our System 1 (intuition) is more accurate in areas where we’ve gathered a lot of data with reliable and fast feedback, like social dynamics. You know if you insult someone, they’ll probably react by getting sad or defensive. That’s because our intuition has been 'trained' by repeatedly witnessing occurrences and receiving fast feedback on the consequences. Whereas our System 2 tends to be better for decisions where we don’t have a lot of experience; involving numbers, statistics, logic, abstractions, or models; and phenomena our ancestors never dealt with. Pro tip: You can also use both systems, acknowledging that you have an intuition, and feeding it into your System 2 model.

2.3 Conceptual Framework

Conceptual framework is a diagrammatic presentation of the relationship between dependent and independent variables (Mugenda & Mugenda, 2003). In this study, the dependent variable is financial literacy levels while the independent variables are the determinants of financial literacy i.e. demographic characteristics, socio-economic factors and sources of information & financial advice.

Independent Variables	Dependent Variable
Demographic characteristics • Gender • Age • Level of education	Financial Literacy
Socio economic factors • Occupation status and types • Personal income • Other wealth factors	
Sources of information & financial advice • Informal tools • Formal tools	

2.3.1 Demographic Characteristics

The study examined a number of demographic variables (gender, age and level of education) that have a direct effect on an individual's level of financial literacy. These factors comprise the first group of characteristics included in the conceptual framework as shown in above. Gender differences play an important role in deciding individuals' levels of financial literacy. Numerous studies argue that men are more likely to perform better than women on various literacy tests

(ANZ (2008), Gallery et al. (2011), Almenberg & Säve- Söderbergh (2011), Lusardi & Mitchell (2008), van Rooij et al. (2007)). Age has a significant association with financial literacy. A study on financial literacy by van Rooij et al. (2007) found the profile of basic literacy to be negatively skewed with regards to age. Literacy level is low among the young, highest among middle-age respondents (particularly 40 to 60), and declines slightly at an advanced age of 61 or over. Similar findings are reported in the Australian context with the youngest (18-24) and the oldest (70 & over) age groups displaying the lowest financial literacy scores (ANZ, 2008). Level of education is positively correlated with financial literacy. Studies have consistently shown that individuals with higher levels of education are the most likely to be financially literate. Those individuals who completed university or college degree are more likely to be financially knowledgeable than those with low education level (Cole et al. (2008), Lusardi & Mitchell (2006, 2008), Almenberg & Säve-Söderbergh (2011)). In addition to that, Mandell (2004, 2008) has shown that the relationship between literacy and education is present at the early stages of lifecycle.

2.3.2 Socioeconomic Factors

The study identified a number of socioeconomic variables that influence individuals' financial literacy levels. They include factors such as; occupation status & type, personal income and other wealth factors. They comprise the second group of factors included in the conceptual framework. Occupation status has an association with individuals' financial literacy levels. A survey by ANZ Survey (2008) and Worthington (2006, 2008) in Australia observed that financial literacy scores are typically higher amongst individuals' who are in professional and managerial occupations. Similarly, occupation type/field is also associated with individuals' financial literacy levels. A survey of United Arab Emirates investors found that individuals' who worked in the field of finance/banking or investment, generally display higher levels of financial knowledge than those in other occupations fields (Al-Tamimi & Bin Kalli, 2009). Financial literacy scores have been found to be generally associated with personal income levels. Higher financial literacy scores are likely to be displayed by individuals with higher levels of personal income and lower scores by those with lower incomes (ANZ, 2008). In addition to that, Traut-Mattausch & Jonas (2011) found that the relationship between financial literacy levels and saving is moderated by the income levels. They found that income levels have a positive association with saving behavior.

Numerous studies suggest that other wealth factors (e.g. investment held) have a positive impact on financial literacy since the acquisition of financial knowledge may be motivated by the need to manage own wealth. This idea was induced by theoretical frameworks of Delavande et al. (2008), Peress (2004). Theoretical models were supported by various empirical findings that financial literacy increases with wealth (Guiso & Jappelli (2008), Lusardi & Mitchell (2008)). Wealth accumulation (e.g. investments held) increases financial literacy as individuals seek to increase their financial literacy in order to understand the investments they hold. Similarly, those with less wealth are less likely increase their financial literacy levels.

2.3.3 Sources of Information & Financial Advice

The study reviewed a number of sources of information and choice of financial advisors often relied on and their effect on individuals' literacy levels. They are informal tools (e. g. peers and family) and formal tools such as financial experts, T.V., newspapers, internet etc. They comprise the third group of variables included in the conceptual framework .Lusardi et al. (2005) found that financial literacy correlates with tool use. Studies have shown that a high proportion of individuals with low financial literacy tend to rely on informal tools such as; family, friends and acquaintances for financial advice. A study on financial literacy and stock market participation by van Rooij et al (2007) found that households with low financial literacy tended to get advice from peers or family rather than formal sources. On the other hand, individuals who display high levels of financial literacy are more likely to rely on formal tools such as; newspapers, consult financial advisors, and seek information on the internet rather than informal ones (van Rooij et al., 2007). Looking at the tools that consumers rely on and their level of financial literacy respectively, leads to the conclusion that financial advice influences financial decision making towards better saving and investment decisions. It is important to also note that, demographic and socioeconomic factors that directly impact on financial literacy levels may also indirectly affect the choice of financial advisors and information sources. It is hoped that the determinants of financial literacy can be more fully understood by taking into account these direct and indirect effects.

2.4 Measurement of Financial Literacy

The first step to improving financial literacy is to measure it. There are two major approaches of measuring financial literacy i.e. self-assessments and objective measures like test scores. The first approach relies on self assessment where the respondents are asked to evaluate their literacy skills as well as to provide information about their attitudes toward financial decisions, knowledge and information. The second approach relies on the objective test which assesses the respondents' knowledge of financial terms, understanding of various financial concepts and ability to apply numerical skills in particular situations related to finance. In order to achieve its main objective, the study adopted the objective test approach in measuring employees' levels of financial literacy. Moreover, the objective test has been found to better assess the respondents' financial knowledge than self-assessment (OECD, 2005).

2.5. Empirical Review

The empirical results indicate that wealth has a positive effect on households‟ degree of financial knowledge, even after controlling for socio demographics and removing wealth endogeneity.

In recent years, financial literacy has gained the attention of a wide range of major banking companies, government agencies, grass-roots consumer and community interest groups, and other organizations. Interested groups, including policymakers, are concerned that consumers lack a working knowledge of financial concepts and do not have the tools they need to make decisions most advantageous to their economic wellbeing. Such financial literacy deficiencies can affect an individual's or family's day-today money management and ability to save for long term goals such as buying a home, seeking higher education, or financing retirement. Ineffective money management can also result in behaviors that make consumers vulnerable to severe financial crises (Crain, 1992).

A study sponsored by the State of Washington sponsored that surveyed smaller and more limited samples to assess financial literacy among its residents (Moore, 2003) concluded that people know the least about financial instruments. Specifically, most respondents did not know the inverse relationship between bonds prices and interest rates. They were also uninformed about mutual funds, as many did not know what a no-load mutual fund was, or that mutual funds do not pay a guaranteed rate of return. More than one-third did not know that stocks had returned more than bonds over the last forty years, and many did not know about risk diversification. Finally, a large fraction of these respondents did not understand interest rates, which was especially troublesome since a subset of the respondents had applied for loans.

Similar findings are reported by Agnew and Szykman (2005), who devised a financial literacy survey as part of an experiment held at a mid-size public university in the Southeast designed in the spirit of a John Hancock Financial Services Defined Contribution Plan Survey (2002). Their respondents produced similar patterns: college employees, tourists, parents of students, and banker's workers, all knew little about mutual funds and they could not explain even simple differences between stocks, bonds, and money market mutual funds. This research also confirmed conclusions from surveys conducted by the Employee Benefit Research Institute. For example, their survey in 1996 showed that only 55 percent of workers knew that US government bonds provided lower returns over the past 20 years, compared to the US stock market.

In Europe, Miles (2004) showed that United Kingdom borrowers display a weak understanding of mortgages and interest rates. The UK Financial Services Authority also concluded that younger people, those in low social classes, and those with low incomes, were the least sophisticated financial consumers. Christelis, Jappelli, and Padula (2005) documented that respondents in several European nations scored low on financial numeracy and literacy scales.

Other studies have confirmed the positive association between financial knowledge and household financial decision making. Hilgerth, Hogarth, and Beverly (2003) document a positive link between financial knowledge and financial behavior. Stango and Zinman (2007) show that those who are not able to correctly calculate interest rates out of a stream of payments end up borrowing more and accumulating lower amounts of wealth. Campbell (2006) has highlighted how household mortgage decisions, particularly the refinancing of fixed-rate mortgages, should be understood in the larger context of investment mistakes and their relation to consumers" financial knowledge. His findings are confirmed by Bucks and pence (2008), who examine whether homeowners know the value of their home equity and the terms of their home mortgages. They show that many borrowers underestimate the amount by which their interest rates can change and that low-income, low-educated households are least knowledgeable about the details of their mortgages especially those with adjustable rate mortgages. Further evidence of biases is provided by Stango and Zinman (2006) who well document the systematic tendency of people to underestimate the interest rate associated with a stream of loan payments. The consequences of this bias are important: those who underestimate the annual percentage rate (APR) on a loan are more likely to borrow and less likely to save. Study done on the effects of financial literacy on personal financial management on berhan bank employees in Addis Ababa and concluded that on the aspects of financial literacy, the respondents were „to a great extent‟ literate and aware that they affect personal financial management. However, on the issue of retirement plans, estate planning and credit and other liabilities most respondents were „to a less extent‟ literate and consider them less important. He concluded that that surely the participants were „to a great extent‟ aware that financial literacy indeed affects personal financial management among the bankers of berhan bank employees.

In addition, the study has also evaluated the investment literacy and practices among berhan bank employees. Finally, the study also examined the attitude of berhan bank employees towards financial management. The study concludes that despite the greater saving potentials among berhan bank employees, the level of savings literacy and practice among berhan bank employees was generally moderate compared to observed high levels of expenditure literacy and practice among berhan bank employees. This implies that there was a mismatch between the saving and expenditure literacy and practices among berhan bank employees. The study also concluded that despite the respondents‟ efforts to invest in various investment options, a significant proportion still lacked information knowledge on critical aspects such as the rate of returns on various investments and rate of fluctuations on various investments/assets Kempson et al. (2008) carried out a study on Measuring and improving financial capability to know more about current levels of financial capability in berhan bank SC, to understand the potential approaches that could be taken to measure financial capability in a less developed nation where the vast majority of the population does not use formal banking services and to explore levels of financial inclusion in berhan bank sc. It relied on the ways in which financial capability has been measured in various countries, and to review evidence from berhan bank SC and elsewhere on the most appropriate objectives of financial education and consider how financial capability education could be prioritized in berhan bank SC to ensure the largest gains.

2.6 Summary of Literature Review

Financial literacy surveys in many developed nations show that consumers are poorly informed about financial products and practices. This is troubling, in that financial illiteracy may stunt people's ability to save and invest for retirement, undermining their well-being in old age. It is also concerning that these deficiencies are concentrated among particular population subgroups - those with low income and low education, minorities, and women -where being financially illiterate may render them most vulnerable to economic hardship.

No studies definitively provides an evaluation of the costs of financial education programs and, without that information, it is not possible to estimate a return on financial education programs.

Moreover, as previous studies show, few employees ever attend education programs and of those who attend, many do not modify behavior, at least in the short run. While these are drawbacks, financial education programs cannot be dismissed. Information and financial knowledge can affect many financial decisions, not simply saving for retirement. Moreover, that knowledge may be put to use over long periods of time and should be evaluated in the long run rather than just in the few months or years after a program is offered. For example, according to Bernheim, Garrett and Maki (2001), those who were exposed to financial education programs while in high school were more likely to save later in life.

Another finding that emerges from both the literature on saving and studies on financial literacy is that there are specific segments of the population, those with low education and low income that save in very different ways than other, more educated and affluent households. It may be important to target these groups and devise programs that are better tailored to their needs and barriers to saving. There is evidence that existing targeted programs have had some success in increasing saving among the poor (Schreiner and Sherraden, 2007).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1.1. Introduction

Business research is the application of the scientific method in searching for the truth about business phenomena. Business research is more than conducting surveys. This process includes idea and theory development, problem definition, searching and collecting information, analyzing and interpreting collect data, and communicating the findings and their implications to end user (Zikmund, 2014). Hence, this chapter were discussed the research methodology of the study. It deals with the research approach, design, research population and sampling determination, data collection and analysis methods were employ to answer the research questions.

This section gives a description of the methods that were used in an attempt to achieve the purpose of the study. The main objective of the study was to identify the level of financial literacy among employees berhan bank sc in Addis Ababa. A descriptive research design was undertaken to meet this objective. A sample of 420 was purposefully selected from employees of employees berhan bank sc in Addis Ababa, to reflect the population of clerical staffs. The sampling was done using purposive sampling to ensure that demographic and socio-economic considerations were represented in the population. A survey methodology was adopted with the design of self-administered questionnaires to capture the relevant information from the respondents. To measure the financial literacy level, thirty five statement-like questions on personal finance were asked from the respondents. The questions were asked to test respondents' knowledge on basic financial concepts such as; simple & compound interest, insurance, investment, inflation, purchase power, sales discount and bond yield. The respondents were asked to rate their certainty about each statement on a 5-point scale that ranged from 100% very important to 100% not important at all. A score of 1 means that the answer to a particular question is perfectly wrong and 5 is perfectly correct. Respondents' average score across all the questions were computed and further converted into percentage score. The resulting percentage score was interpreted as a proxy for the respondents' financial knowledge. Consistent with the existing literature (Danes & Hira (1987), Volpe et al. (1996)), the resulting percentage scores of the respondents were grouped into three categories: over 80%, 60-79% and below 60%. The first category represented a relatively high level of financial knowledge, while second category represented a moderate level of knowledge and the third category represented a relatively low level of knowledge. The survey was used in a pilot study to refine the instrument. The validity and clarity of the survey were further evaluated by two individuals who are knowledgeable in personal finance. The quality and consistency of the survey were further assessed using Cronbach's alpha. The researcher involved three research assistants to help in distribution of questionnaires to the targeted respondents. The questionnaires were administered through drop and pick later method. Data analyses were performed on a PC computer using Statistical Package for Social Science (SPSS Version 20.0) for Windows. Analysis was done using frequency counts, percentages, means and standard deviation and the information generated was presented in form of graphs, charts and tables.

3.2. Research Design

In this study, the researcher used descriptive research design approach .Which provides an accurate and valid representation of the factors that are relevant to the research question. According to Anol (2012), the descriptive survey involves acquiring information about one or more groups of people asking them questions and tabulating their answers. The study was done through descriptive survey approach in order to determine the level of financial literacy among bank employees and how it influences their personal financial management. According to Ngechu (2004), descriptive studies are more formalized and typically structured with clearly stated hypotheses or investigative questions. It serves a variety of research objective such as descriptions of phenomenon or characteristics associated with a subject population, estimates of proportions of a population that have these characteristics and discovery of associations among different variables.

3.3. Research Approach

The study was specifically tries to assess the financial literacy of Bankers. Therefore, the research approach was quantitative and qualitative research approach; According to (Creswell,

2003) the quantitative approach is the which one in the investigator primarily uses postpositive claims for developing knowledge, i.e., cause and effect relationship between known variables of interest or it employs strategies of inquiry such as experiments and surveys, and collect data on predetermined instruments that yield statistics data.

3.4. Source of Data

Thus, the researcher was used primary source of data for the entire analysis of this study. The information was gathered through questionnaire from the selected sample of respondent's or employees of berhan bank SC at Addis Ababa branches. The data that were collected from the respondents through questionnaires were used as primary data. In addition, the researcher was collected secondary data through reviewing some published documents provided (such as manuals and reports) by the company as a secondary data sources.

3.5. Population and Sampling Techniques

3.5.1 Target Population

Population is defined as the entire set of individuals or other entities to which study findings are to be generalized (Schutt, 2011). For this study the target population was taken from Berhan Bank Addis Ababa branches offices. Hence, bases on this the total population of Berhan Bank SC Addis Ababa region all branches offices 1061employees (clerical staffs) taken as a total population and samples taken from the total population.

3.5.2 Sampling Techniques

For this study the researcher used convenient sampling method .This is because purposive sampling method is used when elements are selected due to a specific purpose, usually because of their unique position (Schutt, 2011). Hence each individual clerical staffs that have educational back ground on or above diploma employees were included in the sample.

3.5.3 Sample Size Determination

The target population of this study was 1061Birahn Bank Addis Ababa Region; from these the researcher used and drawn sample for this study .Hence, in this study the researcher used questionnaire and distributed for those respondents as per the sample size. According to Diamantopoulos et al (2000), a sample size at least 30 should be considered to use statistical procedures.

The conventional values of 0.05 for significant level was adopt in planning the sample size. To take sample size or to determine sample size from the total population the researcher will use the below formula given by (Toro, 1967).

Given:
N= Population size
n= The Sample size
e=Margin of error acceptable (acceptable sampling error) or Measure of Precision is 0.05
The total population Berhan Bank who work in Addis Ababa region Branch offices is 1061
n=N/1+N (e) 2
n=1061/1+1061(0.05)2
n=420

Total Sampling Size that the research was taken from the total population was 420. As proposed by Roscoe (1975), and according to Diamantopoulos et al (2000) a sample size of 30 to 500 is appropriate for most researches.

3.6 Method of Data Collection

Primary data is first-hand information, data collected directly from an original source. Primary data can be collected through or the use of questionnaires (Saunders*et al.*, 2009). But he study was used questionnaires to collect primary data for quantitative analysis .The data was gathered through questionnaire [Closed ended] from the selected sample of respondents [Behan bank Addis Ababa all branch office].

The data collected through structured questionnaires method analyzed through descriptive statistical method. The questionnaires have a yes and no questions and also there was true and false questions as well.

For the primary data self-administered Questionnaires were distributed to Berahn Bank Addis Ababa branch office 420 selected samples.

Validity of the study

According to Leedy et al. (2010), the validity of a measurement instrument is the extent to which the instrument measures what it is intended to measure. Leedy et al (2010) further explained the importance of validity- the accuracy, meaningfulness, and credibility of the research project as a whole. The research effort will be worth the time and effort only to the extent that it allows the researcher to draw meaningful and defensible conclusions from the data. Two basic questions are explained here when considering the validity of the research study: First, does the study have sufficient controls to ensure that the conclusions we draw are truly warranted by the data? Second, can we use what we have observed in the research situation to make generalizations about the world beyond that specific situation? The answers to these questions address the issue of internal validity and external validity respectively.

3.6.1 Internal Validity

According to Leedy et al (2010), internal validity of a research study is the extent to which its design and the data it yields allow the researcher to draw accurate conclusions about cause - and-effect and other relationships within the data.

Respondents might have different knowledge and experiences about SCM practices in their respective enterprises. Hence, there may be reactivity: a more general phenomenon in which people change their behavior when they are aware that they are being observed. In this case, respondents were well informed with the covering letter about the objectives of the research and the confidentiality of the information they provide (ethical issues).

3.6.2 External Validity

According to Leedy et al (2010), the external validity of a research study is the extent to which its results apply to situations beyond the study itself, in other words, the extent to which the conclusions drawn can be generalized to other contexts. The three commonly used strategies that enhance the external validity of a research study i.e. a real life setting, a representative sample and replication in a different context were used to increase the external validity and the generalization of the results of the study.

3.7 Method of Data Analysis Techniques

Descriptive statistical analytical technique used and Statistical package for social sciences [SPSS Version 20] also used to facilitate the computation .In addition, to analyze and present the demographic data, and to describe the data collected as whole the researcher used descriptive analysis [table, frequency, percentage] were used for this research.

3.8 Reliability

Reliability of a research instrument enhances its ability to measure consistently what is intended. Reliability will be increased by including many similar items on a measure, by testing a diverse sample of individuals and by using uniform testing procedures. The researcher selected a pilot group of 2 individuals from the target population to test the reliability of the research instruments. In order to test the reliability of the instruments, an internal consistency technique was applied using Cronbach‟s Alpha. Coefficient of 0.6 - 0.7 is a commonly accepted rule of thumb that indicates acceptable reliability and 0.8 or higher indicated good reliability (Mugenda, 2008). The pilot data will not be included in the actual study.

According to Leedy et al (2010), Reliability is the consistency with which a measuring instrument yields a certain result when the entity being measured has not changed. Leedy et al (2010) further explained that we can measure something accurately only when we can also measure it consistently. Yet, measuring something consistently doesn't necessarily mean measuring it accurately. In other words, reliability is necessary but insufficient condition for validity.

The respondents who were selected for this research are involved in the business and have the experience related to financial literacy of Bankers. Hence, they have given credible answers to the questionnaires. The same answer would probably be given to another independent researcher. Therefore, the researcher believed that this study was being reliable.

3.9 Ethical Considerations of the Research

According to Leedy et al (2010), most ethical issues in research fall into one of four categories:- protection from harm, informed consent, right to privacy and honesty with professional colleagues.

Since the propose methodology mainly utilizes only questionnaires as a means of data collection, participants in this study will inform in advance about the nature of the study and their participation will on voluntary basis. The information will be treated confidentially and with anonymity of the respondents. Due respect and consideration will also be given to personal and professional opinions. A moral obligation between the researcher and the participant is to be all times honest and maintains privacy.

CHAPTER FOUR

DATA ANALYSIS, RESULT AND DISCUSSION

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology.

The results are presented on the level of financial literacy on the employees of berhan Bank sc in Addis Ababa.

4.2 Response Rate

Out of the hundred (430) questionnaires sent to the target population, eighty (420) usable responses were collected representing a 97.9% response rate implying 2% of the questionnaires were not returned at all. Despite this, the target population was fairly represented considering that key personnel who are relevant to the study were reached. The results are shown in table below.

Table 4.1.Response Rate

Instrument	Frequency	Percentage
Response rate	411	97.9
Non response rate	9	2.1
Total	420	100.0

4.3 Data Reliability

Reliability test was conducted on the key dependent and independent variables; financial literacy level and determinant of financial literacy. As shown in table 4.2, Cronbach‟s Alpha values of the study variables reveal that the reliability coefficient of the study variables is 0.777 which exceeds the minimum acceptable level of 0.60 hence the reliability of the research tool is at moderately good level.

Table 4.2: Reliability Statistics

Cronbach's Alpha	Cronbach Alpha based on Standardized Items	Number of Items
0.777	0.777	420

4.4 Descriptive Statistics

4.4.1 Name of bankers

The findings indicate that majority (50%) of the respondents are CSO, 30% SCSO, 8% Accountants, 10% Assistance Managers and 2% Managers of the berhan bank SC in Addis Ababa. The results are as shown in table 2.3

Table 4.3: Name of Bankers

Banker's	frequency	percentage
Managers	8	2
Assistance Managers	42	10
Accountants	34	8
SCSO	126	30
CSO	210	50
Total	**420**	**100**

4.4.2 Gender of the Respondents

From the analysis, majority (60%) of the respondents were male while female represented 40% of the respondents who participated in the study as shown in Table 4.4 below.

Table 4.4 Gender of Respondents

Gender	frequency	percentage
Male	252	60
Female	168	40
Total	**420**	**100**

4.4.3 Age of the Respondents

Majority (45%) of the respondents indicated they were between 20 to 30years of age, 35% were between 31 to 40 years, 20% between 41 to 45 years of age. This implies that majority of the banks employees are young adults as shown in table 4.5

Table 4.5: Age of the Respondents

Age (yrs)	frequency	percentage
20-30	189	45
31-40	147	35
41-45	84	20
Total	**420**	**100**

4.4.4. Level of Education

From the result, majority (46%) of the respondents had undergraduate degree, 42% had post graduate level of education, 10% had college level of education and 2% of the respondents had secondary level of education. This implies that most of the respondent were literate and this form a good foundation for financial literacy as shown in the table 4.6

Table 4.6: Level of Education

Level of Education	frequency	percentage
Secondary	8	2
Tertiary college	42	10
University	193	46
Post graduate	177	42
Total	**420**	**100**

4.4.5 Number of Years Worked

From the findings, majority (44%) have been with their respective employers for between 20 to 30 yrs, 42% had between 31 to 40 yrs, 14% had between 41 to 45 yrs, had worked. This implies that most of the respondents who participated in the study have been with their employers for a relatively long time .Hence they are experienced in their respective areas. Such experience is an indication of their elaborate understanding of their roles hence is better placed to offer valuable advisory services to their clients**.**

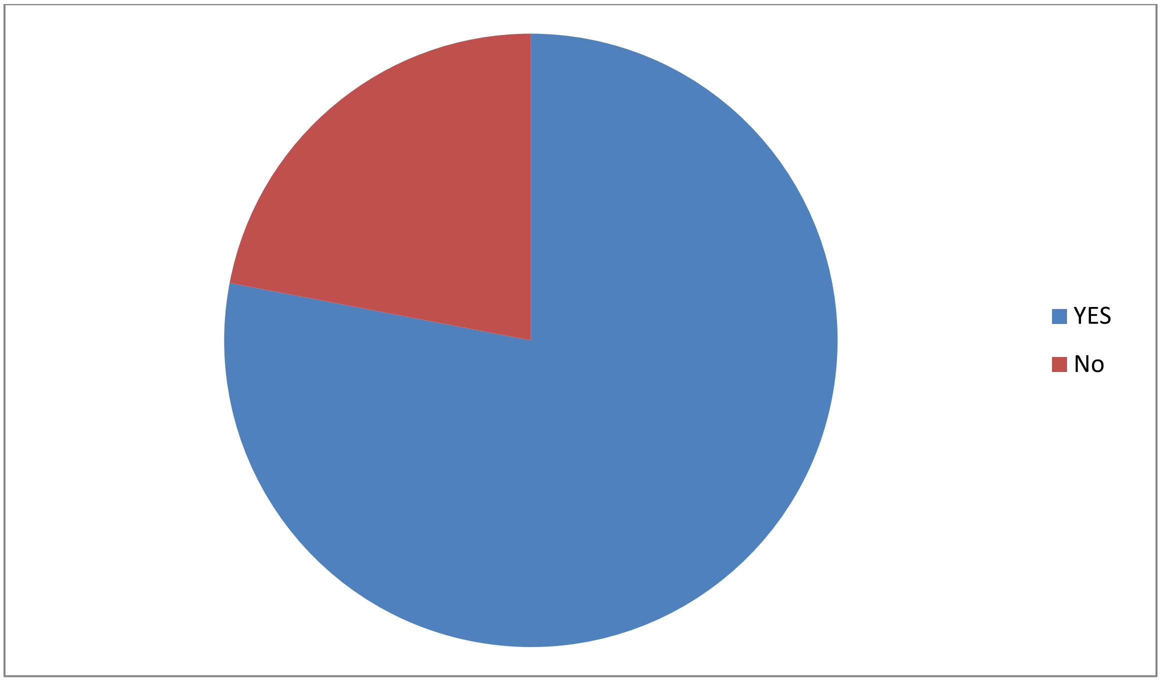
Table 4.7 Work Experience

Work Experience	frequency	percentage
20-30	185	44
31-40	176	42
41-45	59	14
Total	**420**	**100**

4.5 Management of Personal Finances

4.5.1 Savings Plan

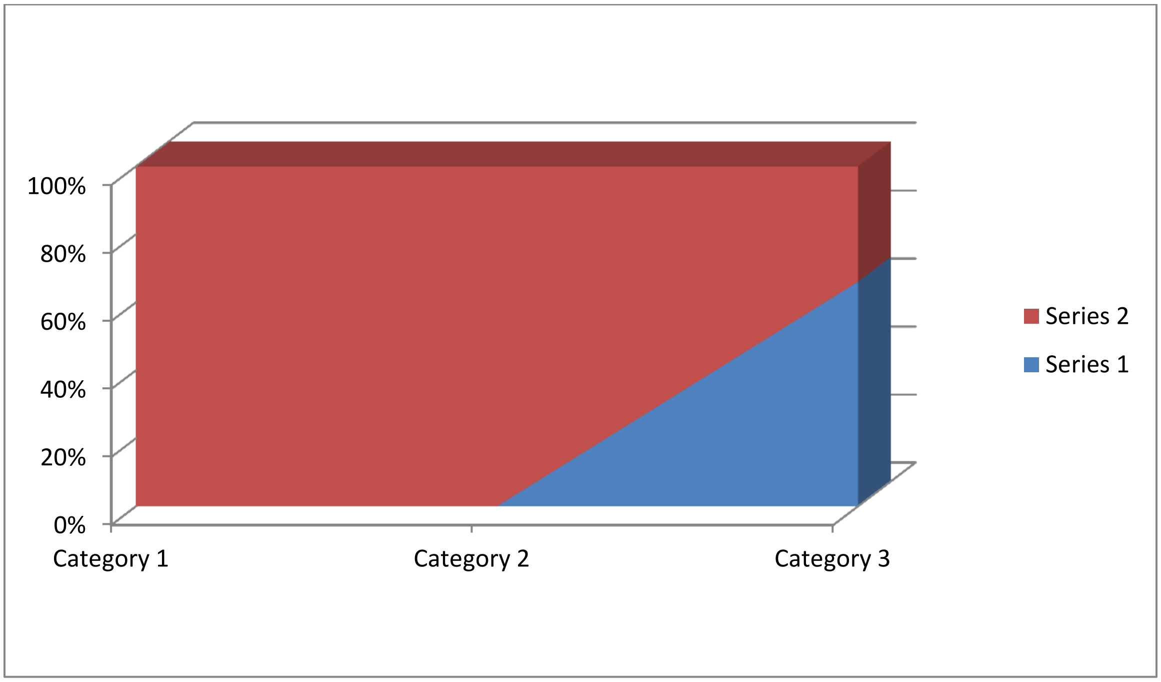
Majority (78%) of the respondents said they had a saving plan that could sustain their recurrent expenditures in case of loss of employment while 22% reported lack of such a plan. This is illustrated in the figure 4.1



4.5.3 Investment Plan

On the availability of personal investment plan, majority (70%) of the respondents agreed that they have a plan other than the mandatory employer pension scheme, 30% of the respondents reported having no investment plan hence fully reliant on the employers pension proposition.

This is illustrated in the figure 4.2



4.6 Discussion of Research Findings

The findings showed less disparity on gender of the respondents as there was almost equal number of male as female hence deducing that there exists gender balance in the workforce employed by the berhan bank sc . This is important in finding the effect of financial literacy on personal financial management as each gender may portray different characteristics on personal financial management. Therefore a well-balanced representation was important for objectiveness of the study.

Majority of the respondents were young with age range between 20-40 years. This is the age bracket considered youthful in Ethiopia and is the most active age of one's career. In addition, it is age range when majority form families hence might not be having a lot of financial obligation associated with families. The effects of the age distribution of the respondent can be seen on the responses to certain aspects of financial aspects like the investment and saving planning which showed that the respondents had to a low extent level of investment.

The findings show that majority of respondents have high level education training as illustrated by the number of university and post graduate degrees reported and this was complemented by the biasness in financial training among a number of the respondents, this can be interpreted that the respondents were able to execute the roles assigned to them effectively and efficiently and make prudent financial decisions. This is important for this study as the respondent's level of education eliminates the bias of uneducated respondents. The findings are in agreement with

Hogarth and Hilgert (2002) and Hilgert, Hogarth and Beverly (2003) found that consumers who are financially knowledgeable are more likely to behave in financially responsible ways. They argued that the more knowledgeable one is the better his financial behavior. According to Eagly and Chaiken, knowledge moderates the correspondence between attitudes and behaviour. This means that knowledge affects the direction and strength of the relationship between attitudes and behaviors' (Baron & Kenny, 1986).

The study show that respondents had high level of work experience as majority had over six years of work experience. Majorly involved with direct contact with the business customers and this can be deduced to mean that respondents were involved in advising the customers on financial matters hence sound financial literacy.

On the aspect of saving `planning, the study findings indicate that most respondents indicated having a saving plan that would meet their recurrent expenditures for two months in case of unexpected job loss. The research findings also indicated that most participants had to a less extent developed a personal saving plan. This would be attributed to high cost of leaving and to an extent an individual's propensity to save.

On the aspects of investment plan, majority of the respondents agreed having a personal investment plan other than the mandatory employer pension scheme. The research findings indicate that most participants were to a relatively less extent on financial management practices relating to personal investment planning as reported by low and moderate extent responses. Generally, majority of the participants were not satisfied with their level of investment considering their high level of financial literacy.

The results indicates that demographic characteristics has a significant relationship with personal financial management, that age, gender, education levels and work experience is also positively related with saving planning and investment plans and consequently the overall personal financial literacy.

This findings correlate with Kinoti (2012) who conducted a study on financial management literacy and application among university students in Nakuru town as a contingency against unemployment in Kenya. The study concludes that despite the greater saving potentials among bankers, the level of savings literacy and practice among berhan bank staffs was generally moderate compared to observe high levels of expenditure literacy and practice among the banking staffs. This implies that there was a mismatch between the saving and expenditure literacy and practices among the bank staffs.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.1 Introduction

This chapter presents the summary and conclusion of the study and offers recommendations to not only to employees of berhan bank SC and their employers but also to other stakeholders e.g. the government.

5.2 Summary of the Findings

The objectives of the study were to assess the level of financial literacy among berhan bank SC in Addis Ababa. Descriptive research design was adopted for this study. The target population of this study consisted of all employees in berhan bank SC in Addis Ababa. Purposive sampling

was used to select 420 respondents from 112 branchs and sub branchs; the respondents were drawn from various departments. The study used primary data collected from questionnaires.

Analysis was done based on descriptive statistics. From the study findings, on demographic characteristics of the respondents there were slightly more male respondents than were female respondents. Majority of the respondents were aged between 20 and 40years. On the level of education, majority of the respondents had university and post graduate level of education with biasness in financial education. Most respondents had below ten years of work experience in the banking sector .On the level of financial literacy and its effects on personal financial management the findings revealed that most participants were financially literate either from their university training on finance related discipline or working experience in the banking industry.

5.3 Conclusion

One of the objectives of the study was to determine the financial literacy level of the respondents. The findings show that most participants had financial literacy acquired through training or work experience and that it affects personal financial management among employees of berhan bank SC in Addis Ababa.

The researcher also sought to establish effects of gender, age, level of education, savings and investment plan on personal financial management. The findings conclude that these factors strongly influenced the personal financial management. This could be due to the age distribution of the respondents who were mostly aged between 20 and 40 years who are still considered as youthful hence are yet to settle in life hence have relatively low or no family commitments. The study findings further sought to establish whether saving and investment plans affects personal financial management. The results conclude that majority of the respondents save less proportion of their salaries. This can be attributed to the high cost of living hence their investments are financed through loans. This affects the actual money management due to the prevailing economic environment hence an impact to savings and financial stability or independence.

On overall personal financial management, findings indicated that while majority (70%) of the respondents rated their management of personal finances as excellent/good, 30 % were rated as fair/poor/very poor. This is attributed to hard economic times and poor financial discipline among these banker's regardless of their perceived sound financial literacy. This is a relatively high proportion hence needs an attention since poor financial management adversely affects wellbeing and by extension productivity at work place.

Financial literacy is a global concern. Although the financial knowledge questions included in the survey were fairly basic, the overall mean of correct answers for the survey was about 68%. This shows that in berhan bank staffs are too much aware about their finance related issues. The results suggest that level of financial literacy varies significantly among respondents based on various demographic and socio-economic factors. Similarly, sources of information & financial advice influence individuals' level of financial literacy and investment choice decisions. It can therefore be concluded that financial literacy level gets affected by gender, age, education, other wealth factors and sources of information & financial advice, it also get affected by occupation status, occupation type and personal income. Complicated financial products, low level of awareness and lack of knowledge about financial matters makes the want of financial literacy significant. This therefore, calls for a study on the assessment of financial literacy levels among employees. This research is important for several reasons. Firstly, the conceptual framework developed in the study provides a cohesive basis for conducting further surveys to provide empirical evidence that will enhance understanding of the factors that influence financial literacy among employees. In doing so, this study contributes to the growing body of literature on financial literacy. Secondly, the findings about factors that explain differences in financial literacy levels are of particular use for employers and policymakers who aim to improve the financial knowledge among bankers, since the paper provides an overview of the population groups which are the most likely to be financially literate. Thirdly, most studies on financial literacy have been conducted in developed nations like US, Australia, UK etc. Very few research studies have been carried out in developing countries like Kenya Ethiopia etc. Furthermore, the target population in most of those studies is college students rather than adult population. To fill this gap, the study sought to find out the assessment of financial literacy level among employees in berhan bank sc. More comprehensive research, investigating broader population and various workplaces is however needed to generalize the results of this study. Further research could focus on other components of financial matter such as saving behavior, financial problem and productivity and determine which are the most and least critical to financial success and sustainability. Several future research directions exist. Firstly, future research can use different methodologies, such as longitudinal studies, focus groups and interviews to identify the determinants of financial literacy levels among employees. Secondly, evidence exists that the relative importance and possible causal link between financial knowledge and better financial practices may differ across cultures (Hilgert, Hogarth & Beverly, 2003). Thus, the study can be replicated in different cultures to provide cross-cultural comparisons.

5.4 Recommendations to Policy & Practice

This study recommends the following measures which will help improve financial literacy levels among adult population.

I) Employers should provide financial education programs to employees. These programs can be implemented by introducing some seminars that will help employees understand the basics of financial responsibility. The need to launch financial education programs in the workplace to uplift condition of financial illiteracy level among workers. The study findings suggest that 30% of the respondents had low literacy levels.

II) It is clear from the findings that financial literacy differs by gender and age. Understanding these differences will help employers and policy makers to design more effective financial education programs that address the specific education needs of the different groups of employees.

III) The findings suggest that friends, parents/families are the most relied on source of information and financial advice on financial matters. They could be educated on personal finance through TV programs, community workshops and seminars.

IV) The National Bank of Ethiopia should also consider introducing financial education into the core curriculum of secondary, middle level and higher learning institutions to improve the level of financial literacy among bankers.

Besides the above points based on the research findings, the research recommend banks and possibly other players in the financial sector to have various financial literacy training programs for their employees aimed at closing any knowledge gaps. The training should be complemented by promotion of a savings and investment culture among their employees. Such initiative would ensure that the financial sector work-force have the requisite skills for shrewd management of personal finances which would enhance their welfare hence more productivity at places of work.

From the study findings, most respondents attribute their low savings/investment rate on the high cost of leaving. This is a macro-economic factor that affects all sectors of the economy hence the government should develop initiatives that would not only ensure training on financial literacy to its citizens but also seek to subsidize the high cost of leaving to create room for savings and investment. Such initiative would ensure sustained economic growth by creation of employment resulting from the investments.

Based on the finding of this study berhan bank employees have been scored as fair/poor/very poor managers of their personal finances. This is a significant number hence should be of great concern to employees of this industry. The employees should strive to up their financial literacy skills by attending financial workshop seminars/training, reading financial journals or otherwise. This would equip the employees with necessary skills in formulating their personal financial plans that is premised on a sustainable expenditure, saving and investment plans aimed at long-term financial freedom.

5.5 Limitation of the Study

5.5.1 Budget Constraint.

In doing the research, the researcher incurred significant costs in travelling, typing and printing which required the researcher to make provisions for the same from scarce financial resources.

This is because without financial abilities, it would have been difficult for the researcher to do and complete the research efficiently and effectively.

5.5.2 Information Constraints

In order to do the research, information is the most important element to be included. Without sufficient information, it would have been hard for the researcher to complete the research. This is because availability of information helped the researcher in obtaining findings and finally come out with the solutions for the problems. There was a challenge whenever the respondents lacked time to fill the questionnaires and some gave inaccurate responses with less attention to the questions asked. Besides that, there is scarce information on management of personal finances in secondary data banks hence insufficient literature for review.

5.5.3 Timing Constraints

The research work demanded a lot of time resource which was not available as the researcher is an employee who is always engaged at work-place between business hours. Balancing between meeting the research time-frames and employment was quite a challenge. In addition, the research was carried out in 3 months only hence the researcher did not have enough time to make a proper research comparison. In order to complete this research on time, one needed to sacrifice much time to make sure the results for this research are useful and accurate.

5.5.4 Cooperation Constraints

The research objectives needed data on personal financial management which most people consider private and confidential. Because this study used primary data, the researcher needed to give the questionnaire to the respondent. It became a challenge as some of the respondents were unwilling to participate in the study or took so long to return the questionnaires due to time constraint on their part.

5.6 Suggestions for Further Research

This study focused on the assessment of financial literacy berhan bank SC in Addis Ababa on

. It is therefore recommended that similar researches should be replicated in other organizations so as to establish whether there is consistency on effect of financial literacy level among respondents in the various organizations. The findings of this study were limited in the contextual scope due to the sample size, time and resource constraints, therefore further surveys should be carried out to generate more representative analysis.

There is need to carry out a study on individuals in informal employment (Juakali sector) to examine their behaviour with the same variables. The sector is considered as having less training on financial education hence the findings of such a study would inform governments investment in training aimed at equipping them with savings and investment skills.

With adequate time and financial resources more refined research tools should be designed and a further research conducted to eliminate any residual biasness resulting from this research a more precise evaluation of the effects of financial literacy on management of personal finances. The study should not only be carried on the entire financial sector employees but should target employees of all sectors of the economy aimed at giving a clear picture of individuals level of financial literacy. The results therein should aid policy makers and practitioners in formulating appropriate strategies to bridge any financial literacy gaps.

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Addis Ababa University

College of Business and Economics

Department of Accounting and auditing

Appendices

Appendices 1: Cover page

Kefelegn Grima

Addis Ababa University

School of Business and Economics
Addis Ababa

Dear Respondent,

I am carrying out a research on the assessment of financial literacy level on bankers of berhan bank sc employees in Addis Ababa. This is in partial fulfillment of the requirement for the award of the degree in Masters of Science in Accounting and Finance (Msc) program at the Addis Ababa University

This is an academic research and the result will not be used for any other purpose. Confidentiality is strictly emphasized hence my appeal for you to kindly spare a short moment to complete the attached questionnaire.
Thank you in advance,
Yours sincerely,
Kefelegn Grima

Researcher address:

Name: Kefelegn Girma Mobile: 0911001514 Email: kefelegn4blessings@gemal.comA. A/Ethiopia

Appendix 2: Questionnaire

Instructions: Please answer questions by putting a tick [√] in the appropriate box or by writing in the space provided.

I. Personal information

1. Gender:

A. Male

B. Female

2. Age (in years):

A. Less than 20

B. 20 – 25

C. 26 – 30

D. 31 – 35

E. 36 – 40

F. 41 – 45

G. Above 45

3. Educational Qualification

A. Diploma Holder ☐
B. Bachelor Degree Holder ☐
C. Master Degree Holder ☐
D. Special Certificate Holder ☐

4. Place of Birth:

A. Rural area ☐
B. Urban area ☐

5. Parents Educational Qualification (when you were under 18 years of age):

A. Both Literate (able to read and write) ☐
B. Father literate but mother not ☐
C. Mother literate but father not ☐
D. Both Non-literate ☐

6. If your answer to Q5 is "A" or "B" or "C", which was their level of education?

A. Less than grade 8 ☐
B. High school graduate ☐
C. Diploma Holder ☐
D. Bachelor Degree Holder ☐
E. Master Degree Holder ☐
F. PhD and Above ☐

7. What is your parents' Profession?

A. Government Employees ☐
B. Private Employees ☐
C. Businessmen ☐
D. Farmers ☐
E. Other, Specify ________________________________

8. **Please give your response (Y/N) to the following statement that explain your parents general financial activates.**

My parents	YES	NO
Regularly track their monthly expenses		
Spend within their budget		
Save money each month for future		
Invest for long term financial goals regularly		

9. **Following are few financial matters which you could have possibly learnt from direct teaching of your parents'. Please tick the option Y/N**

	YES	NO
My parents discuss family financial matters with me		
They talk to me about the importance of savings		
They teach me how to be a smart shopper		
They advice me how to use my pocket money appropriately		
They have discussed with me about my college education expenditure		

10. **Following the few sentences about adopting your parent as financial role model. please tick the appropriate option: yes/no**

	YES	NO
You make financial decisions based on what your parent(s) have done in similar situation		
When it comes to managing money, you look up to your parent(s) as your role model(s)		
Yours parent(s) is/are role model(s) for you to manage financial matters.		
Your parent(s) has/have positive influence on you when it comes to managing money,		

Following are few questions on your personal financial literacy. Please click on the correct option mentioned below:

1. **Personal financial literacy can help you**
   A. Buy the right kind of insurance to protect you from catastrophic risk
   B. Learn the right approach to invest for your future needs
   C. Lead a financially secure life by forming healthy spending habits
   D. All of the above
   E. Other than these
2. **Personal Financial planning involves**
   A. Establishing an adequate financial record keeping system
   B. Developing a sound yearly budget of expenses and income
   C. Minimizing taxes and insurance expenses
   D. None of these
   E. Other than these

6) The most liquid asset is

A. The saving deposit in a bank
B. Money in a checking account
C. A car
D. A computer
E. A house

7) Your net worth is

A. The difference between your expenditure and income
B. The difference between your liabilities and assets
C. The difference between your cash inflow and outflow
D. The difference between your bank borrowings and savings
E. None of the above

8) ______ is a not a cost of leasing an apartment.

A. Security deposit

B. Monthly rental payment

C. Expenses incurred for non-compliance of lease terms

D. Medical expenses of your friend who fell and broke his arm in an accident

E. Security deposit retained by the landlord for dam-ages to property beyond normal wear and **tear**

9) If you invest Br. 10,000 at 4% for a year, your balance in a year will be

A. Higher if the interest is compounded daily rather than monthly

B. Higher if the interest is compounded quarterly rather than weekly

C. Type and age of vehicle

D. Completion of a driver education course

E. All of the above

10) Which of the following investments requires that you keep your money invested for a specified period or you face an early withdrawal penalty?

A. Certificate of deposit

B. Current account that pays interest

C. Government savings bond

D. All of these

E. None of these, Specify ________________

11) An overdraft

A. Occurs when you write a Br. 10,000 check but you have Br. 5,000 in your account

B. Is a stop payment order written by the payee

C. Will result in fines

D. All of the above

E. Both A and C

12) You will improve your credit worthiness by

A. Visiting your local commercial bank

B. Showing no record of personal bankruptcies in recent years

C. Paying cash for all goods and services

D. Donating money to charity

13) Auto insurance companies determine your premium based on

A. Age of the insured

B. Record of accidents

14) The main reason to purchase insurance is to

A. protect you from a loss recently incurred

B. protect you with an excellent investment return

C. Protect you from sustaining catastrophic loss

D. protect you from small incidental loss

E. protect you from small incidental filing fraudulent claims

15) The main reason to purchase health insurance is that

A. After buying health insurance, you are normally covered for pre-existing conditions.

B. you have better chance to choose doctors with a health maintenance organization rather than with a traditional health care insurance company

C. Most polices contain deductible and coinsurance clauses

D. A policy purchased by an individual is cheaper than the one purchased through a group

E. None of the above.

16) _____________would not ordinarily by covered under a home owners policy

A. War

B. Earthquake

C. Flood

D. your being sued by someone for slander

E. ALL Of the above

17) Which of the following statement is TRUE/FALSE

	TRUE	FAISE
Term insurance is an excellent investment vehicle		
You receive no benefits when your term insurance policy expires		
A term insurance policy is the least expensive form of life insurance		
A decreasing term policy reduces coverage over time		
A level term-term policy guarantees affixed over the life of the contract		

18) If interest rate, the price of Treasury bond will

A. Increase

B. Decrease

C. Remain the same

D. Trade at a premium

E. Be impossible

19) A high-risk and high- return investment strategy would be most suitable for

A. An elderly retired couple living on a fixed income

B. A middle-aged couple needing funds for their children's education in two years

C. A young married couple without children

D. All of the above because they all need high return

E. None of the above because they are equally risk averse

20) Which of the following is true/false?

	TRUE	FALSE
AS shareholder of a mutual fund, you have a right to tell fund managers what securities to by		
A mutual fund is a diversified collection of securities used as an investment vehicle		
A mutual fund is an investment corporation that raise fund from investors and purchases securities		
Your ownership in a mutual fund is proportional to the number of shares you own in the fund		
None of the above		

21) The returns from a balanced mutual fund include

A. interest earned on cash in the hand
B. Dividends from common stock in the fund
C. Interest earned on bounds in the fund
D. Capital gains from stocks and bond in the fund
E. All of the above

22) Assume you are in your early twenties and you would like to build up your egg nest for a secure retirement in 30 years. which of the following approaches would best meet your need?

A. start to build up your savings account at a public bank
B. save money in certificate of deposit account
C. put monthly savings in a diversified growth mutual fund
D. invest in long-term treasury bonds
E. Accumulate money in a safe –box rented from local bank

23) Assume you are in your early twenties without any dependants. Which of the following would you do regarding your life insurance?

A. you would buy a life insurance policy from an insurance agent
B. you would buy a term insurance policy
C. You probably do not need to buy any life insurance policy
D. You would buy fight insurance each time you travel by air
E. you would buy cash value insurance

24) DO you maintain financial records?

A. Maintain very detailed records
B. Maintain minimal records
C. Maintain no records

25) Using the scale given below please rank the importance of items numbered;

	Very important	Somewhat important	Not sure	Not so important	Not important at all
Maintain adequate financial records					
Spending less than income					
Maintaining adequate insurance coverage					
Planning and implementing regular investment program					

Any further comment ……………………………………………………………………………

…………………………………………………………………………………………………….

……………………………………………………………………………………………………

END

Thanks for your time