

Thesis on
Determinants of investment behavior of Ethiopian banking employees
towards selected investment avenues

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Statement of Declaration

I, Solomon Damtew, declare that, this thesis entitled “*Determinants of investment behavior of Ethiopian banking employees’ towards selected investment avenues*” in partial fulfillment of the requirement of the M.Sc. program in Accounting and Finance with the guidance and support of the research supervisor.

This study is my original work and that has not been presented for any degree or diploma program in this or any other university/institutions, and that all source of materials used for the thesis have been duly acknowledged.

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This is to certify that the thesis prepared by Solomon Damtew entitled “*Determinants of investment behavior of Ethiopian banking employees’ towards selected investment avenues*” and submitted in partial fulfillment for Masters Degree of Accounting and Finance complies with the regulations of the university and meets the accepted standards with respect to originality and quality.

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Above all Glory is to God for his unspeakable gifts!

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Abstract

Investment is an activity that is engaged in by people who have savings i.e. investments are made from savings, or in other words people invest their savings. A variety of investment options are available such as bank, Real estate, Shares/Equities, Government Bond, Life Insurance & so on. Investors are investing their money with the different objectives such as profit, security, appreciation, Income stability, Future goals or desires, social responsibility. The decision of individual investors towards different investment avenues is influenced by demographic, social and Psychological factors. The study examined determinants of Ethiopian banking employee's investment behavior towards selected investment avenues. The objective is to examine banking employees' behavior towards five investment avenues: Bank Deposit, Shares/Equities, Real estate, Government Bond and Life insurance. The study was adopted quantitative research approach in order to draw the relationship between factors affecting individual investment decisions and choice of investment avenues. The study selected a sample of 385 banking employees based on stratified simple random sampling for both public and private banks.. The study is based on primary sources of data which are collected by distribution of a close ended, self administered questionnaire. The data has been analyzed using percentage, chi-square test, Person Correlation Coefficient, Mann- Whitney U test, Kruskal – Wallis test and two sample T test, and correlation with the help of statistical software (SPSS 20). The study found that the choice of investment avenues by bank employees are significantly influenced by age, Gender, marital status, family size, investment objective, risk and return level of investment, moral satisfaction, religion, culture and desire and goals.

Key Terms: Investment Avenues, Behavioral Finance, Banking employees,

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List of Abbreviations and Acronyms

CAPM	Capital Asset Pricing Model
ETB	Ethiopian Birr
EMH	Efficient Market Theory
EIC	Ethiopian Insurance Corporation
GERD	Grand Ethiopian Renaissance Dam
MoT	Ministry of Trade
NBE	National Bank of Ethiopia
SPSS	Statistical packages for social scientists

Chapter one

Introduction

1.1 Background of the study

An investment is the current commitment of money or other resources in the expectation of reaping future benefits. It is the employment of the funds with the purpose of earning additional income or growth in value (NCAER, 1964). It is an important means for channelizing the savings into the development of the economy. Savings and Investments are activities important and integral to men and women. Every individual has a tendency to save for various reasons. They may be for short term purposes like paying for a holding or for buying a car or they may be made for long term purposes such as constructing a house or providing for retirement. Sometimes savings are made simply to meet unknown contingencies. Apart from personal importance saving is the major contributor for national wide capital formation, but the capital formation is a difficult task and depends upon the people's willingness and their capacity to save (Rao, 1980). According to David Ricardo, "there are two ways in which capital may be accumulated; it may be saved either in consequence of increased revenue or of diminished consumption. Whether it is individual savings or corporate savings, it must be available for development purposes".

If enough savings are accumulated, the next important thing is to invest them in constructive assets so as to generate further value. All savings are not an investment. Savings only become investment if a person makes decision to forego the use of the money saved for a period of time, in the hope of earning a return. At the same time, these investments do not always originate from savings (Mehta, JK, 1961) . There are many people who sometimes quite unexpectedly receive lump sums which are surplus to their immediate requirement. This investment is more important than savings to create further value and achieve the economic development of individual and nation. Thus, prosperity of the economy is closely linked with the ability of the public to save and invest in productive assets for an uninterrupted supply of capital. To survive and develop in

this competitive business world, capital must be made available at a reasonable rate without conditions attached to it

Every individual investor possesses different mindset when they decide about investing in a particular Investment Avenue such as stocks, bonds, mutual funds, Life insurance, fixed deposit, real estate, bullion etc. In each life cycle stage, every individual desires his hard earned money to be invested in most secure and liquid avenue. However, the decision varies for every individual depending on their risk taking ability and the purpose for which such investment is to be done. Purpose of investment can be related with saving objective Jamshidinavid, Chavoshani & Amiri (2012). Each individual investor selects the investment option for certain time period looking at their personal financial goals. Investment behavior of an individual investor reveals how he/she wants to allocate the surplus financial resources to various instruments for investment available. The investment behavior consists of why they want to invest, how much of their disposable income they want to invest, for how many years/months they want to invest, in what types of investment avenues they want to invest and most importantly the timing of such investment. In various empirical studies, it has been found that information being an important factor on taking decision to invest, which influences them on choice of investment and later on how they act after investment (Kasilingam & Jayabal, 2008).

The investment pattern and saving habits of employees sector is determined by their expectations from the various preferred avenues. Preference may vary due to various considerations i.e. Safety, Liquidity and Marketability, returns, tax benefits, risk involved etc. Investment also depends upon the awareness about investment opportunities, level of knowledge and how these investment opportunities are evaluated and selected (Diacon, S. (2002). The appropriate investment decisions requires a comprehensive understanding of various subjects like finance, tax, economics, accountancy, business laws etc

The two main classes of investments are i) Fixed Income Investment such as bonds, fixed deposits, preference shares and ii) Variable Income Investment such as business ownership (equities) or property ownership. On the basis of tenure, the investments are classified as i. Short-term Investment and ii. Long-Term Investment (Geetha. N & M. Ramesh,2012). Investments made for a period of one to three years are termed as short term investments and that

are invested for more than three years are termed as long-term investments. Almost everyone holding some portfolio of investment in the form of financial assets like bank deposits, bonds, stocks and so on; and real assets like motorcycle, house, gold etc. With reference to individuals, investment decisions should be made very wisely and with proper research and analysis. Investment is always attached with the element of risk of losing the invested money and this loss is not under the control of the investor. Hence, it is always advisable to measure and analyze all risks involved before making investments. Plenty of investment avenues available for the investors make their decision making process more critical and complex. There are a number of factors which influence the people to make their investment decisions. Demographic factors of investors such as gender, age, education, family size, annual income, awareness and savings have much significance in the Investment Decision Making Process (Lewellen (1977), Brunel (2003), (Ronald D Michman, 1975).

There are a plenty of investment avenues are existed in Ethiopia, even though there is no secondary market individuals are invested in financial and non financial instruments. The most common investment avenues which are currently used by individual investors are banking deposit, Equity/shares of companies, government bond and Treasury bill, Real estate or property and life insurance. The brief description and summery of each investment avenues are presented in chapter two of the study.

The history of banking in Ethiopia backs to the 1905, where the first bank called bank of Abyssinia was established in 1906. Since 1906 the Ethiopia Banking and financial sector passed many development stages along with different economy and political changes, currently, the contribution of banking sector in the country's development is mostly stated as “ the blood cells for economic transformation’ by which it provide a loan (capital) to the huge development projects, facilitating saving and investments. Besides facilitating the country's economic transformation the banking sector of Ethiopia is playing a tremendous role in creating employment opportunities especially for the educated people, the banking sector also considered as the attractive job area by most educated people due to the high salary payment and many attractive benefits packages.

Currently there are 18 commercial banks, One Development bank and One National bank operating in the country, according to the report quarterly submitted to National Bank of Ethiopia from each commercial banks there are 50,393 employees are working in the banking industry as on September 30,2014.. The financial statement and payroll of each bank as reported on September 30,2014 indicate that the banking sector pays more than 5 billion birr to their employees every year for salary and benefits, hence as on the year ended December 2014, all banks reported that total of 5.75 billion birr as payment of salary and benefit. As the researcher best knowledge there is no prior studies were conducted on what portion from this huge amount of money goes to consumption, saving and investment every year and what factors determines the bank employees to invest in particular investment avenues, though, this study can be considered as the first and milestone by providing essential information about investment behavior of the banks employees and investment avenues currently exist in the country. Due to the relatively high salary payment and many benefit packages in banking industry than others industry, employees in the banking sector are considered as regular savers and investors, therefore this study focuses on the investment behaviors of bank employees towards selected investment avenues.

1.2 Statement of the problem

Man works to earn income to meet his own needs. Every man has unlimited wants and to satisfy these wants, he/she works continues for a long time. Income earning is the predominant and prime motive in everybody's life. Individuals normally take their own time to settle down in a job and to become successful investors (Ncear, 1960). Though the prime objective of income earning is to pay for his demands, still income has got a different role to play. The desire to earn and save for future needs dominates the minds of the income earners. Further, there is no guarantee that surplus will result into savings. Willingness to save is more important than capacity to save (Ishwara P,2004). It is true say that when there is willingness to save, the capacity to save can be created. Savings by itself do not provide any return. It merely provides safetyman would like to see that this savings yields some return. The amount of expenditure and proportion of savings largely depends upon the income levels of people. It is also seen that

people also save when they get some surplus from occasional events like amount of some capital gain received from sale of some property, share from some ancestral property or some bonus, commission, prize money etc (Ishwara P,2004). The economic cycles of boom, recession, depression & recovery not only effect the level of GDP but also the income of the households & hence the saving ratio & investment behavior.’(Kanti Das Sanjay 2012). The propensity to spend and save depends upon personal nature, future needs, present financial status and risk taking capacity of an individual. It may be found out that people with superior income might not be interested to save or if found interested the amount of saving might be minimal. On the contrary, there will be some people who will like to save maximum amount of what they earn (Gregory and Drakeford, 2006; Graham et al., 2005; Edwards, 2001). It is the savings which lays down the foundation stone and create the path for investment. The individual decisions to invest in a particular investment avenues is greatly influenced by the variety of benefit each individual wants from owing the investment, besides these the investment decision of individual highly affected by investment practices, preferences, risk perceptions, intentions, pattern of investment, awareness level, personal Circumstances and personal objectives, demographic factors, expected return from the investment, and social factor (Chambers & Schlagenhauf, 2002; Gomes, et. al., 2004; Kesavan et. al., 2012). Lewellen et. al. (1977)

This study analyses the investment pattern and behaviors of the bank employees with respect to different investment avenues in Ethiopia. The bank employees attitude and behavior towards investment is analyzed with respect to their financial needs, investment objective, and return period of investment, willingness to take risk, preference and degree of safety for financial assets along with social, demographic and psychological factors,

1.3 Research questions

To analyze and examine the above factors the researcher has developed the following research questions that this study attempt to answer,

RQ1 what are the major investment avenues currently preferred by banking employees?

RQ2 what are the demographic factors that influences the decisions of banking employees towards selecting particular investment avenues?

RQ3 what are the social behavior factors that influences banking employees investment decisions?

RQ4 What are the psychological factors that influences the banking employees investment decisions and choices of investment avenues?

RQ5 what are risk bearing capacity factors that affects investment decisions of bank employees in Ethiopia?

RQ6 What is the perception of Ethiopian Banking employees towards selected investment avenues?

1.3 Objective of the study

1.3.1 General objective

The main objective of the study is to examine the investment behavior of bank employees towards financial and non-financial (Real estate) investments and to see the behavioral pattern of public and private bank employees.

1.3.2 Specific objective

To achieve the above primary objective the researcher attempted to attain the following specific objectives,

- To identify major savings and investment avenues currently used by the banking sector employees

- To identify demographic factors which influencing bank employees to choose investment avenues
- To examine the banking employees desires or goals that influencing the employees to choose a particular type of investment.
- To examine the moral satisfaction, religion and culture of Banking employees that influencing the employees to choose a particular type of investment
- To discuss the influence of marketability, liquidity, safety and return of investment avenues on investment behavior of banking employees;
- To identify the key views and perceptions of the bank employees towards selected investment avenues.
- To compare the key determinants of behavior of public and private bank employees towards investment decisions.

1.4 Hypothesis

A number of researches have shown that investment choice is affected by various demographic, social, psychological, geographical and risk tacking capacity factors associated with the individual. The target population of this research work is bank employees who are assumed to have relatively more exposure towards investment, hence expected to behave rationally irrespective of various demographic, social and psychological factors like gender, age, marital status, employment status , income, desires and goals, . For the purpose of this study, the following hypotheses have been proposed.

H1 There is no significant relation between gender and age groups and investment avenues.

H2 There is no significant relationship between marital status and family size and investment avenues

H3 There is no significant relation between saving and income level and investment avenues.

H4 There is no significant relationship between Social factors of employees and investment avenues

H5 There is no significant relationship between bank employees' psychological (goals and desires) factor and investment avenues.

H6 There is no significant relationship between risk and return level and investment avenues

H7 There is no significant relationship between investment objective and investment avenues

1.5 Significance of the study

Since no any study has been conducted before, in relation of investment behavior of employees of the country, this paper can be taken as the first study in providing information about major investment avenues preferred by bank employees, factor that attributes bank employees to select different investment avenues currently available in the country. It also has a value in indicating the investment and saving pattern of the bank employees of the country. In the other side The study can be used as motivation and further reference for further study that going to be conducted in the investment behavior of individual investors in the country, and finally, it provide a better understanding to individuals and organizations about currently available investment avenues and investment choices of individuals.

1.6 Scope of the study

The study was confined to the determinants of investment behavior of bank employees towards five selected investment avenues in Ethiopia: Bank deposit, Shares/Equities, Real estate, Government Bond and Life Insurance. The focuses were made on social, psychological risk bearing factors and perceptions of banking employees in choice of investment avenues. Though the study can be used as indication of investment behavior of countries employees as a whole, the study will be curbed on bank sector employees of the country.

1.7 Limitation of the study

It is not denial that any research papers from its initiation to completion perhaps encounter a limitation. Besides, there are some of the limitations that face in the preparation of this research thesis are the time allotted is really too short, therefore due to limited time and financial resource the researcher was forced to distribute the questioner only for banking employees who working in Addis Abba City. Since the banking work is busiest work the time and willingness of employees to fill the questioner was a big challenge that the researcher faced during the study.

1.9 Organization of the final research document

The study outlined/organized in to five chapters; the first chapter presents the introduction of the study, the purpose and methodology of the research. The second part of the paper discussed related empirical and theoretical aspects behavioral finance and a factor determines investment behavior of individual investors. The other part of the study which is chapter three presented data analysis and findings of the study, finally the last part of the paper discussed conclusions, findings and recommendations part.

Chapter two

Literature review

In this review of literature, an attempt is made to present a brief review of relevant studies carried out on the present investigation. Several researchers have studied the factors influencing investment decision from different perspectives and documented innumerable findings. However, due to paucity of time, money and other resources, it is not possible to review all the studies. This review, therefore, outline small number of these studies.

The chapter consists three major parts; the first part is an overview of behavioral finance and brief descriptions about available investment avenues in Ethiopia. The Second part is describes about theoretical review of factors affecting individual investment behaviors. This part of the literature is purposefully used by the researcher to understand the basic and important aspect of Behavioral finance theory with regard to individual investment behavior since it is a new paradigm of Finance. The third part is deals with empirical evidence about factors affecting investment behaviors which used by the researcher to draw the research hypothesis.

2.1 Overview

Behavioral finance is a relatively new paradigm of finance, which seeks to supplement the standard theories of finance by introducing behavioral aspects to the investment decision making process. The study of Behavioral finance shows how cognitive & emotional factors affect the investment decision of an investment& particularly how they affect the rationality in decision making. Traditional finance emphasizes theories such as Capital asset pricing model, Efficient Market hypothesis are presumes that markets are efficient & people make rational decisions to maximize profits. Shiller (2002) provided theoretical& empirical evidence to support the fact that CAPM, EMH & other traditional finance theories did a great job in predicting& explaining certain events.

2.2 Behavioral finance

Over the past few years, behavioral finance researchers have scientifically shown that investors do not always act rationally or consider all of the available information in their decision-making process. They have behavioral biases that lead to systematic errors in the way they process information for an investment decision. These errors, because of their systematic character, are often predictable and avoidable. But they continue to occur frequently and are made by both novice and professional investors alike.

Behavioral finance is a new emerging science that studies the irrational behavior of the investors. According to the behavioral economists, individuals do not function perfectly as the classical school tells us. Weber (1999) makes the following observation: —Behavioral Finance closely combines individual behavior and market phenomena and uses the knowledge taken from both the psychological field and financial theory. Behavioral finance attempts to identify the behavioral biases commonly exhibited by investors and also provides strategies to overcome them. According to the surveys done from early 1980s to 2002, psychology may be of particular interest to financial economists because it's the basis of irrationality, which leads to the core of behavioral finance.

Behavioral finance is part of finance, which seeks to understand and predict systematic financial market implications of psychological decision processes. According to Fromlet (2001), Behavioral finance closely combines individual behavior and market phenomena and uses knowledge taken from both the psychological field and financial theory.

Behavioral finance is a new paradigm of finance, which seeks to supplement the modern theories of finance by introducing behavioral aspects to the decision making process. It focuses on the application of psychological and economic principles for the improvement of financial decision-making (Olsen, 1998). In fact, there have been a number of studies pointing to market anomalies that cannot be explained with the help of standard financial theory, such as abnormal price movement in connection with IPOs, mergers and stock splits. These anomalies suggest that the underlying principles of rational behavior underlying the efficient market hypothesis are not entirely correct and

that we need to look, as well, at other models of human behavior, as have been studied in other social sciences (Shiller, 1998)

Jegadeesh (1995) asserts that modern finance theory is built on the notion that the actions of all economic agents are guided by the criterion of maximizing expected utility. In the normatively constructed model, all agents take actions based upon rational expectations with the absence of non-economic factors in their utility functions. Fridson (1994) views modern finance along the same line as Jegadeesh does that the assault on the efficient markets hypothesis (EMH) has progressed well beyond the identification of minor anomalies. Based upon the normative assumptions and the EMH, rational and fully informed investors (i.e., representative agents) quickly eliminate any tendency of a class of securities to deviate, on a risk-adjusted basis, from a market rate of return and thereby forcing their prices to resume or converge to their equilibrium level which reflect their true fundamental values. In light of these critical perspectives, we can recapitulate that modern finance is a normative theory based on ex ante assumptions about representative economic agent's rational behavior that individuals are: 1) risk-averse expected utility maximizers; 2) unbiased Bayesian forecasters; and 3) rational-expectations decision-makers. Behavioral finance, as further noted by Jegadeesh (1995), takes the position that not all economic decisions can be described by the equilibrium conditions in the efficient market economy. Thaler (1994) states that sometimes, in order to find the solution to an empirical puzzle, it is necessary to entertain the possibility that some of the economic agents behave less than fully rationally some of the time. The notion of less-than-fully-rational actions or biased expectations of economic agents is prevalent and easily witnessed in the market reality. In order to characterize actual decision-making behavior which underlies the operations of the actual markets, some financial economists began to incorporate positive paradigms into the process of economic agents' decision-making under uncertainty in hope to find some logical explanations as to why markets do not function as modern finance theory has predicted. Along with this line of argument, we can say that behavioral finance is a positive theory based on ex post realizations of economic decision-makings involving the psychology of individuals that they are: 1) loss-averse expected regret minimizers, 2) biased non-Bayesian forecasters, and 3) naive-expectations decision-makers.

The proponents of positive theory such as Kuhn (1970) suggests that behavioral finance should start with the study of market anomalies, i.e., empirical facts for which there is wide agreement that the standard paradigm lacks explanatory power. The joint hypothesis of EMH and capital asset pricing model (CAPM) which is held sacredly by most modern financial economists is now under severe attack by a series of puzzles from which empirical studies have uncovered through the use of advanced statistical techniques and the abundance of market price information. Haugen (1993) comments that actual securities markets do not always exhibit desirable EMH and CAPM characteristics. Human decisions are subject to several cognitive illusions. The study has grouped these illusions into two: the illusions identified within the prospect theory, and the illusions identified within the heuristic decision process.

2.3 Behavioral Finance versus Traditional Finance

According to Baker and Nofsinger (2002), the difference between traditional and behavioral finance is an issue of how each discipline is developed. Traditional finance has developed in a normative way; it concerns the rational solution to the decision problem by developing ideas and financial tools for how investors should behave rather than how actually they do behave. In this respect, behavioral finance is descriptive because it offers explanations for what actually happens rather than what should happen.

According to Statman (1999), some of the distinctions between rationality and irrationality in the investment context are a distinction between utilitarian and value-expressive characteristics, the two groups into which marketing scholars, such as Munson and Austin (1981), classify product characteristics. He states that value-expressive characteristics are those that enable users of a product to identify in it their values, social class, and lifestyles. They are most prominent in jewelry, less prominent in automobiles, and almost absent in laundry detergents. In the investment context, risk is a utilitarian characteristic and those who restrict their attention to it are considered rational. The notion of 'rationality' is not so simply extended to other characteristics such as social responsibility, display of wealth, or the excitement of an initial public offering. Proponents of standard finance often regard that the value-expressive motives of investors are unimportant distractions from the bigger notion, namely, asset-pricing models. On

the other hand, behavioral finance proponents would incorporate both utilitarian and value expressive traits.

According to Statman (2008), standard finance has four founding blocks:

1. Investors are rational;
2. Markets are efficient;
3. Investors should design their portfolios according to the rules of mean-variance portfolio theory and, in reality, do so; and
4. Expected returns are a function of risk and risk alone.

And behavioral finance offers an alternative block for each of the foundation blocks mentioned before:

- a) Investors are 'normal' not rational;
- b) Markets are not efficient, even if they are difficult to beat;
- c) Investors design portfolios according to their rules of behavioral portfolio theory, not mean-variance portfolio theory; and Expected returns follow behavioral asset pricing theory, in which risk is not measured by beta (which is a measure of market volatility) and expected returns are determined by more than risk.

Looking at the history of behavioral finance, which is rather short compared to other sciences, one can inclined to believe that behavioral finance is not a replacement to traditional finance in any way. It is just a different view of the issue. It builds on traditional finance in many ways, but with more tolerance to other scientific views that helps it to give better understanding of financial decisions.

2.4 overview of investment avenues in Ethiopia

Even though there is no secondary (capital) market in Ethiopia, a number of investment avenues are available for the investors. Some of them are marketable and liquid while others are non-marketable. And some of them are highly risky while others are almost riskless. The people have to choose Proper Avenue among them, depending upon his specific need, risk preference, and

return expected. A brief summary of various investment avenues which are currently available in the country is presented under the following heads.

Equity/Shares

Equity is one of the most risky areas. But, at the same time this is also a place where an investor can earn high rates of returns that will push up the returns of the entire portfolio. There is a need for the investor to separate the speculation from the investment. Investment in equities can be made directly by the purchase of shares from the market (hence no equity market in Ethiopia) or it can be done through directly buying from the company or on counter sale, whereby the investor buys the amount of shares directly from the company or the investor may also buy from other share holders on the counter. According annual report of MoT(Ministry of Trade) there are 722 shares companies are registered and operating in Ethiopian with a total of more than 725,000 publically offered shares.

Fixed /Bank Deposits:

When a deposit is made for a certain sum in a bank with a fixed rate of interest and for a specified time period, it is called a bank Fixed Deposit (FD). At maturity, you are entitled to receive the principal amount as well as the interest earned at the pre-specified rate during that period. They are one the most common savings avenue and account for a substantial portion of an average investor's savings. Fixed deposits with Banks are also referred to as term deposits. Deposits in banks are very safe because of the regulations of NBE The interest rate on fixed deposits varies with term of the deposits but the minimum rate is 5% Bank deposits enjoy exceptionally high liquidity. According to the National Bank of Ethiopia Bank Supervision Directorate, as on December 2014 there are more than 2 million bank deposit (saving) accounts are registered in the country with a total of 76.7 billion saved money.

Life Insurance Policies:

A life insurance policy is a contract between an individual (termed as insured) and an Insurance company (insurer) to pay the insured, or his nominated heirs, a specified sum of money on the

happening of an event. The event could be the expiry of the insurance policy or the death of the insured before the expiry (date of maturity) of the policy as per the terms of the policy. There are many variants of a life insurance policy:

Even though this type of investment and insurance scheme is very new for the Ethiopian society, some of Insurance companies especially Ethiopian Insurance corporations EIC offer many life insurance schemes to investors. These schemes promote saving and additionally provide insurance cover. There are 16 insurance companies in Ethiopia but EIC is the largest insurance companies that offering life insurance policies schemes. Some of its schemes include -

- **Whole Life Assurance Plans:** These are low-cost insurance plans where the sum assured is payable on the death of the insured
- **Endowment Assurance Plans:** Under these plans, the sum assured is payable on the maturity of the policy or in case of death of the insured before maturity of the policy.
- **Term Assurance Plans:** Under these plans, the sum assured is payable only on the death of the insured before expiry of the policy. Insurance policies, while catering to the risk compensation to be faced in the future by investor, also have the advantage of earning a reasonable interest on their investment insurance premiums

Real Estate:

Investment in real estate also made when the expected returns are very attractive. Buying property is an equally strenuous investment decisions. Real estate investment is often linked with the future development plans of the location. At present investment in real assets is booming there are various investment source are available for investment which are directly or indirectly investing real estate. In addition to this, the more affluent investors are likely to be interested in other type of real estate, like commercial property, agricultural land, semi urban land, and resorts. This type of investment is widely used investment avenues by country's individuals

Government bond

Debt is a route that most people will know and have the necessary experience in other countries but due to the absence of secondary market in Ethiopia it is a new and unknown route of investment. There is a limited range of bond investment like government bond (GRED bond and

Treasury bill). Debt is simple as the investor will earn at a fixed percentage of the investment, which will then be returned to the investor at the time of maturity or redemption of the investment. There is only one type of bond in Ethiopia which is

2.5 Theoretical Review

This part of the literature is mainly designed and included in the study to understand the behavioral finance theory which enables the researcher to broadly understand the research problem and relate the Ethiopian banking employees' behavior with the behavioral finance theory.

2.5.1 The prospect theory:

2.5.1.1 The different bias

This theory, which is developed by Kahneman and Tversky (1979), pinpoints a group of illusions which may impact the decision process. Here below the study discuss the following states of mind which may influence an investor decision making process: the loss aversion, the mental accounting, the self control, the regret avoidance and the cognitive dissonance

2.5.1.2 Loss aversion

Behavioral finance considers that investors are not risk-averse but lose-averse. Barberis *et al.* (2001) and Barberis and Huang (2001) have attempted to incorporate the phenomenon of loss aversion into utility functions. Loss aversion refers to the notion that investors suffer greater disutility from a wealth loss than the utility from an equivalent wealth gain in absolute terms. Thus, investors will increase their risk, defined in terms of uncertainty to avoid even the smallest probability of loss. An example of an assumption about preferences is that people are loss averse: a \$2 gain might make people feel better by as much as a \$1 loss makes them feel worse. According to Tversky (2001), —It is not so much that people hate uncertainty – but rather, they hate losing. Thus, according to modern portfolio theory, the assumption that investors are always risk-averse is not correct. Loss aversion suggests that risk management should explicitly consider the risk of loss. Measures of the risk of loss can capture the likelihood that a loss will occur, the severity of loss, or both.

Barberis and Huang (2001) show that loss aversion in individual stocks leads to excess stock price fluctuations. This happens because, for example, agents' response to past stock gains is to increase their desire to hold the stock and thereby, in effect, lower the discount rate, raising the stock price still further. Further, a book/market effect also happens because stocks with high market/book are ones that have done well and thus require lower returns in equilibrium.

Grinblatt and Han (2005) argue that loss aversion can also help explain momentum. Specifically, past winners have excess selling pressure and past losers are not shunned as quickly as they should be, and this causes under reaction to public information. In equilibrium, past winners are undervalued and past losers are overvalued. This creates momentum as the misvaluation reverses over time.

Coval and Shum way (2005) show that proprietary traders on the Chicago Board of Trade exchange (which mainly trades derivatives) take more risk late in the day (as measured by number of trades and trade sizes) to cover their losses in the beginning of the day. This implies loss averse behavior. Prices are affected by this behavior in that they are willing to buy contracts at higher prices and vice versa than those that prevailed earlier.

2.5.1.3 Mental Accounting

Behavioral researchers have demonstrated that investors have not just one but multiple attitudes about risk. For some goals, risk tolerance may be low and for some others, risk tolerance may be high. For example, many people have a household budget for food, and a household budget for entertaining. Behavioral finance professor Statman (2002) observes that: —we tend to compartmentalize the assets we use for downside protection from the assets we use for upside potential. In the old ways, many people kept their money for rent, furniture, groceries, and so on, in separate jars. Today, we have the same mental accounting approach to our various pools of assets. While traditional investment theory suggests that an allocation should be established for an investor's total portfolio and the risk should be also managed at the total portfolio level, behavioral finance, however, has shown that each investment strategy is linked to a goal and managed according to the risk measures and risk tolerance that are most appropriate for that goal (Brunel, 2003).

Brunel (2003) suggested a framework in which investment strategies are matched to —buckets assigned to four fundamental goals: liquidity, income, capital preservation and growth.

Nevins (2004) proposed a goals-based approach that may help reducing the friction between the practitioner's perspective, which is based on traditional investment principles and the investor's perspective, which is determined by goals and psychological makeup. Nevins (2004) also recommended a disciplined process that is customized to each investor. According to this author, this approach that heeds the lessons of behavioral finance, contributes to understand the investor's aspirations and preferences while suppressing the biases that can lead to failed strategies.

The mental accounting could be helpful to explain the —January effect anomaly. It's observed in many different countries that prices in the stock markets tend to grow in January more than the average. This effect could be related on the fact that people in January can see the new coming year as the beginning of a new period and so they could be inclined to behave differently from the past.

2.5.1.4 Self control, Regret avoidance and Cognitive dissonance

2.5.1.4.1 Self Control

Self control consists of setting up special accounts that are considered off-limits to spending urges (Thaler and Sheffrin, 1981). Glick (1957) reports that the reluctance to realize losses constitutes a self-control problem. For example, old investors, especially retirees who finance their living expenditures from their portfolios, worry about spending their wealth too quickly, thereby outliving their assets.

2.5.1.4.2 Regret avoidance

Regret avoidance is the tendency to avoid actions that could create discomfort over prior decisions, even though those actions may be in the individual's best interest. Researchers have argued that one of the reasons that investors are reluctant to sell losing positions is because to do so is to admit a bad decision. This reluctance can be linked to both regret avoidance and belief perseverance. To avoid the stress associated with admitting a mistake, the investor holds onto the losing position and hopes for a recovery.

2.5.1.4.3 Cognitive dissonance

This theory, drawn from psychology proposes that human beings employ a self-defense mechanism when faced with information that conflicts with their beliefs in order to shield them from the simple fact of being wrong. This mechanism involves systematically avoiding information that contradicts our beliefs dissonant information. When this is not possible, human beings will try to downplay the importance of this news or try to discredit the source. At the same time, they will actively seek a source of information that is in harmony with their own convictions and only once information is in line with beliefs in the form of consonant information will the need to seek information diminish.

Rabin (1998) pointed out that people tend to weigh heavily on salient, memorable, or vivid evidence even if they have better information. Once strong hypothesis is formed, people are often inattentive to new information contradicting their hypotheses, but they often misinterpret the new evidence as additional support for their initial hypotheses.

2.5.2 The heuristic decision process

According to Brabazon (2000), the heuristic decision process, which is the process by which the investors find things out for themselves, usually by trial and error, leads to the development of rules of thumb. In other words, it refers to rules of thumb which people use to make decisions in complex, uncertain environments. In reality, the investors have collected the relevant information (and objectively evaluated), in which the mental and emotional factors are involved and are difficult to separate. It includes representativeness and availability, anchoring and belief perseverance, overconfidence and self-attribution, overreaction and conservatism, recency bias, endowment effect, disposition and reference price effect and finally the herd behavior.

2.5.2.1 Representativeness and Availability

One of the first studies in which the representativeness heuristic was traced was made by the psychologists Kahneman and Tversky (1974). They showed that people, in forming subjective judgment, tend to categorize the events as typical or representative of a well-known class. It would be defined as reliance on the stereotypes. This heuristic can lead people to judge the stock

market changes as bull or bear market without valuing that the likelihood that sequences same sign price changes happen rarely. In the same way it could lead the investors to be more optimists about the past winners and more pessimists on the past loser. Another important heuristic is the availability. One of the first descriptions of this was made by Kahneman and Tversky (1974). It influences people in the situation in which people assess the frequency of class or the probability of an event by the ease with which instances or occurrence can be brought to mind. In other words, it leads people to give a higher weight to the events that are easier remembered.

2.5.2.2 Anchoring and Belief perseverance

Anchoring describes the common human tendency to rely too heavily, or —anchor, on one trait or piece of information when making decisions. When presented with new information, the investors tend to be slow to change. Belief perseverance indicates that people are unlikely to change their opinions even when new information becomes available (Lord, Ross and Lepper, 1979). Barberis and Thaler (2002) argue: —At least two effects appear to be at work. First, people are reluctant to search for evidence that contradicts their beliefs. Second, even if they find such evidence, they treat it with excessive skepticism.

2.5.2.3 Overconfidence and Self attribution

According to Nevins (2004), overconfidence suggests that investors overestimate their ability to predict market events, and because of their overconfidence they often take risks without receiving commensurate returns. According to Subrahmanyam (2007), self attribution consists of attributing success to competence and failures to bad luck.

Daniel et al. (1998, 2001) attempts to explain patterns in stock returns by using overconfidence and self-attribution. Overconfidence about private signals causes overreaction and hence phenomena like the book/market effect and long-run reversals whereas self-attribution maintains overconfidence and allows prices to continue to overreact, creating momentum. In the longer-run there is reversal as prices revert to fundamentals.

Behavioral theorists Barber and Odean (2000) conducted a study over 78,000 investors in a brokerage firm. Barber and Odean concluded that individual investors who hold common stocks directly pay a tremendous penalty for active trading. They divided the investors into five groups according to the frequency of trading and they showed that the annual return for the group that traded most frequently was about 6% less, after transaction costs, than the return for the group that traded the least. According to Barber and Odean, the poor performance is a result of the high level of trading which can be explained by the behavioral bias of over-confidence individual investors, which leads to excessive trading.

Montier (2004) also focuses upon confidence and over optimism, the tendency to deliberately look for information that agrees with you, the problem of judging events by how they appear rather than how likely they are, and human limitations in recalling information. Gervais and Odean (2001) formally model self-attribution bias in a dynamic setting with learning, and show that if this bias is severe, it may prevent a finitely-lived agent from ever learning about his true ability.

Scheinkman and Xiong (2003) analyze the interaction of overconfidence and short sale constraints. They show that agents with positive information may be tempted to buy overvalued assets because they believe they can sell that asset to agents with even more extreme beliefs. With short-sale constraints, negative sentiment is sluggish to get into prices, and this can lead to asset pricing bubbles. DeLong et al. (1991) argue that irrational agents, being overconfident, can end up bearing more of the risk and can hence earn greater expected returns in the long-run. Kyle (1997) argue that even if agents are risk-neutral, overconfidence acts as a precommitment to act aggressively, which causes the rational agent to scale back his trading activity. In equilibrium, this may cause overconfident agents to earn greater expected profits than rational ones. Barber and Odean (2001) argue that women outperform men in their individual stock investments. They attribute this to the notion that men tend to be more overconfident than women.

Gervais and Goldstein (2004) argue that overconfidence may actually permit better functioning of organizations. The notion is that each team member's marginal productivity depends on others. An overconfident agent may overestimate his marginal productivity and work harder, thereby causing others to work harder as well. While overconfidence causes the agent to overwork, the organization as a whole can benefit from the positive externality that other players

generate. Bernardo and Welch (2001) show that overconfidence in an economy is beneficial because it increased risk taking by overconfident agents facilitates the emergence of entrepreneurs who exploit new ideas.

Odean (1998) finds that investors tend to overestimate their ability, unrealistically optimistic about future events, too positive on self-evaluations, over-weight attention getting information that is consistent with their existing beliefs, and over-estimate the precision of their own private information. Easterwood and Nutt (1999) find that even professional analysts under-react to most negative information, but overreact to most positive information. Chan, Karceski, and Lakonishok (2000) lent their support for the behavioral thesis and against the rational asset pricing hypothesis based on their study for the period from 1984 to 1998.

2.5.2.4 Overreaction and Conservatism

Overreaction suggests that people are overly influenced by random occurrences. According to Ritter (2003): —Conservatism suggests that when things change, people tend to be slow to pick up on the changes. In other words, they anchor on the ways things have normally been. When things change, people might under react because of the conservatism bias. But if there is a long enough pattern, then they will adjust to it and possibly overreact, underweighting the long-term average.

De Bondt and Thaler (1985, 1987) find that investors overreact to drastic or unexpected events or information. They find that portfolios of prior losers outperform that of prior winners in the long run. Since investors count on the representative heuristic, they become too optimistic about recent winners and too pessimistic about recent losers.

Kahneman and Riepe (1998) noted that —the human mind is a pattern seeking device, and it is strongly biased to adopt the hypothesis that a causal factor is at work behind any notable sequence of events. As a result, investors tend to over interpret patterns that are coincidental and unlikely to persist. They react to recent history and their own experiences, without paying enough attention to events that were not directly experienced or retained in memory.

The Barberis et al. (1998) theory states that extrapolation from random sequences, wherein agents expect patterns in small samples to continue, creates overreaction (and subsequent

reversals), whereas conservatism, the opposite of extrapolation, creates momentum through under reaction. Hong and Stein (1999) suggest that gradual diffusion of news causes momentum, and feedback traders who buy based on past returns create overreaction because they attribute the actions of past momentum traders to news and hence end up purchasing too much stock, which, when positions are reversed, causes momentum.

2.5.2.5 Recency bias

Recency bias is the tendency for people to place greater importance on more recent data or experience. One great example of recency bias is contained in a study conducted by Yale University economics professor Robert Shiller. At the peak of the roaring 1980s Japanese bull market, Shiller found that 14% of Japanese investors expected a crash. After the crash, 32 percent said they expected a crash. This perfectly illustrates the tendency for investors to become more optimistic when the market goes up and more pessimistic when it goes down. And it's this tendency that causes large numbers of investors to consistently buy high and sell low.

Kahneman and Tversky (1973) find that people usually forecast future uncertain events by focusing on recent history and pay less attention to the possibility that such short history could be generated by chance.

2.5.2.6 Endowment effect

The endowment effect suggests that people place a higher value on something they already own than they would be prepared to pay to acquire it. The consequences of this mindset can be disastrous, prompting investors to hold on to stocks long after they've surpassed any reasonable estimation of fair value — and putting them at risk for substantial loss when the inevitable correction occurs.

2.5.2.7 Disposition and reference price effect

The disposition effect refers to the pattern that people avoid realizing paper losses and seek to realize paper gains. This was described first by Shefrin and Statman (1995). In their study, they showed that the people tend to have —the disposition to sell the winners too early and to ride the

losses too long. For example, if someone buys a stock at \$30 that then drops to \$22 before rising to \$28, most people do not want to sell until the stock gets to above \$30.

The disposition effect manifests itself in lots of small gains being realized, and few small losses (Ritter, 2003). According to Odean (1998), the disposition effect is consistent with the notion that realizing profits allows one to maintain self-esteem but realizing losses causes one to implicitly admit an erroneous investment decision, and hence is avoided. Interestingly, past winners do better than losers following the date of sale of stock by an individual investor, suggesting a perverse outcome to trades by individual investors. Odean (1999) further shows that individuals who trade the most are the worst performers.

In a comprehensive study of trading activity using a Finnish data set, Grinblatt and Keloharju (2001) confirm a disposition effect. They also show that there are reference price effects in that individuals are more likely to sell if the stock price attains a past month high. A particularly elegant test of disposition and reference price effects is provided by Kaustia (2004) in the context of IPO markets. Since the offer price is a common purchase price, the disposition effect is clearly identifiable. Kaustia (2004) finds that volume is lower if the stock price is below the offer price, and that there is a sharp upsurge in volume when the price surpasses the offer price for the first time. Furthermore, there is also a significant increase in volume if the stock achieves new maximum and minimum stock prices, again suggesting evidence of reference price effects.

2.5.2.8 Herd Behavior

People are influenced by their social environment and they often feel pressure to conform. A fundamental observation about the human society is that people who communicate regularly with one another think similarly. Part of the reason people's judgments are similar at similar times is that they are reacting to the same information. The social influence has an immense power on individual judgment. When people are confronted with the judgment of a large group of people, they tend to change their wrong answers. They simply think that all the other people could not be wrong. In everyday living we have learned that when a large group of people is unanimous in its judgments they are certainly right (Shiller, 2000).

Herd behavior may be the most generally recognized observation on financial markets in a psychological context. Even completely rational people can participate in herd behavior when they take into account the judgments of others, and even if they know that everyone else is behaving in a herdlike manner. An important variable to herding is the word of mouth. People generally trust friends, relatives and colleagues more than they do the media. It's therefore likely that news about a buying opportunity will rapidly spread. Shiller and Pound (1986) show that even if people read a lot, their attention and actions appear to be more stimulated by interpersonal communications.

Hong et al. (2005) argue that mutual fund managers are more likely to buy stocks that other managers in the same city are buying, suggesting that one factor impacting portfolio decisions is a word-of-mouth effect by way of social interaction between money managers. The authors also suggest that stock market participation is influenced by social interaction. For example, agents that are more social, in the sense of interacting more with peers at collective gatherings such as at church, are more likely to invest in the stock market.

2.6 Empirical review

2.6.1 Factors affecting individual investment decision behavior

2.6.1.1 Age

Young investors lacking analytical skills to precisely evaluate risk (Mann, Harmoni and Power, 1989). Hence, lack of abstract and deep thinking, hampers young investors to perceive things in broader context resulting higher risk attitudes (Steinberg 2004, 2005). A number of studies have been conducted and concluded that there is an inverse relationship between maturity level and risk forbearance i.e. low age high risk and vice versa (Frijns et al., 2008). Wang, H. And S. Hanna, (1997) concluded that relative risk aversion decreased as people aged (i.e., the proportion of net wealth invested in risky assets increases as people age) when other variables are held constant. They concluded that risk tolerance increased with age and therefore rejected the constant life-cycle risk aversion hypothesis.

Investment performance or decision making process of individual investor is also based on his /her age. It is explored by researcher risk aversion relatively decreased with the age of people when other variable are held constant (Wang, H. & S. Hanna, 1997). Older people tolerate more risk as compare to the young investors (Grable and Lytton, 1999) Young investor can not accurately assess about his work performance as compare to older one. Old people gain investment knowledge and experience, and make better investment Choices (Kumar, and Korniotis, 2011). In contrast some researchers found that increasing age of investors caused decrease in risk tolerance (Jiankopolos and Bernasek 2006).Further some researchers explored that investors age and financial risk tolerance have no significant relationship (Al-Ajmi,2008: 21) (Anbar and Eker 2010: 505) Gumedede (2009).

Geetha and Vimala (2014) investigated the effect of demographic variables on the investment decisions by performing a sample survey method in Chennai, India. According to analysis results, from the investors' point of view, changes in demographic factors such as age, income, education, and occupation had an influence in the investment avenue preference.

2.6.1.1 Modigliani's life-cycle theory

In the early 1950s, Franco Modigliani and his student Richard Brumberg worked out a theory of spending based on the idea that people make intelligent choices about how much they want to spend at each age, limited only by the resources available over their lives. By building up and running down assets, working people can make provision for their retirement, and more generally, tailor their consumption patterns to their needs at different ages, independently of their incomes at each age. Modigliani had noted that one of the most important motives for putting money aside was the need to provide for retirement. Young people will save so that when they are old and either cannot or do not wish to work, they will have money to spend.

The life-cycle story is one in which the wealth of the nation gets passed around; the very young have little wealth, middle aged people have more, and peak wealth is reached just before people retire. As they live through their golden years, retirees sell off their assets to provide for food,

housing, and recreation in retirement. The assets shed by the old are taken up by the young who are still in the accumulation part of the cycle.

2.6.1.2 Gender

There is evidence that Women are more risk averse than men in general and this translates to investing in less risky assets in their investment plans (Julie R. Agnew, 2003). Differences in financial literacy between men and women may also explain differences in their investment decisions. There is some research on individual investors for e.g. Langer (1975) finds that self-reported risk tolerance does the best job of explaining differences in both portfolio diversification and portfolio turnover across individual investors.

Many researches are conducted to analyze the gender differences in the risk taking level. According to a study held in Australia in 2009 women and men have different attitudes towards risk level and their investment preferences also differ due to their built-in propensity. In the United States, Bruce and Johnson (1994) find that women want to invest in less risky investments because they are risk averse.

2.6.1.3 Marital Status

Marital status is also an effective factor influencing the decision making of investor. Single individuals are more risk takers than married because married individuals have responsibilities for themselves and dependents (Roszkowski et al. 1993) (Lazzarone, 1996) Barber and Odean (2001). Some studies failed to find a significant association between marital status and financial risk tolerance (McInish, 1982).

2.6.1.4 Family Size

Investor's family size also affects their financial risk taking behavior. Investors having small family size are more risk takers, where an increase in family size caused risk aversion (Lease, Lewellen, and Schlarbaum, 1977).

2.6.1.5 Income and saving

Sita L.Y. (2011) found that, income played a peculiar role in influencing Indian equity investor. He stated that, contrary to many earlier researchers' opinion, a good number of low income group investors have also invested along with other income classes on equity oriented securities. He further stated that, investors from equity investors usually are motivated by "get rich quickly" phenomena of equity investment and with the introduction of equity derivatives in India, some of them are even speculating in that segment.

Investors invest their funds in more volatile portfolio composed of more volatile stocks when they have higher level of income (Barber, and Odean , 2001). Higher level of income creates the ability of bearing the losses, so wealthier people preferred higher level of risk (bernheim et al, 2001).

A person with greater wealth takes greater risk (Terry, and Parker, 2002). Persons with upper level of income and millionaires tend to take higher risk as than individual with lower level of income (MacCrimmon, and Wehrung, 1986). Researcher explored that level of risk tolerance increase with the increasing level of income (Blume et al.1994)

Geetha and Vimala (2014) investigated the effect of demographic variables on the investment decisions by performing a sample survey method in Chennai, India. According to analysis results, from the investors' point of view, changes in demographic factors such as age, income, education, and occupation had an influence in the investment avenue preference

People with higher incomes are more likely to save with financial institutions, and in countries with well-developed capital markets more likely to buy stocks and shares and make other financial investments. Property is frequently used as the main non-financial investment. In lower income countries, people are more likely to invest in livestock, household goods, jewellery or gold (Lewis, S. and F. Messy (2012).

People on low incomes are much more likely to save informally, most often keeping cash at home, or with family members. In many low-income countries, people use mutual savings clubs or self-help groups, for example, savings and credit associations, which build up savers' funds to lend to members of the group⁴. Loans may be long-term, or short-term to cover emergencies. (Ncare ,2011).

2.6.1.6 perception

Paul Slovic (1972) discussed in his research that most of the investors who invested on equity shares have a tendency of looking on the returns generated by equity shares of well established companies or stock market indices returns before making their investment decision. Though the past returns on equity shares do not give guarantee for any future returns, investors perceive that equity shares are giving better returns to beat the inflation rate and hence they are committing on equity shares.

Similarly, Diacon, S. (2002) found in his research that most of the investors perceive equity investment is suitable to achieve their long term objective and hence those investors whose needs are arising in less than three years of investment prefer to invest on fixed income securities. Further, Lakshmi C. (2005) has stated that the reason for not investing on equity shares and equity oriented securities by Indian investors is the perception that equity investments are risky. She added that though the investors are aware of success stories of equity investment, as they perceive that they do not understand various risk minimization techniques, they feel it is better to stay away from equity investment. Substantiating the above statement, Koundinya. C (2010) concluded in his research that, the perception of risk associated with equity investment made some of the Indian investors believe that equity investment is not suitable to them especially after Indian stock market crash due to the global economic recession of 2007-08.

2.6.1.7 Social factors

Social factors are the external forces that interrupt the individual decision making. Media, social interactions with friend and relatives and internet, mental satisfaction, religion social beliefs and

culture have become essential vehicles for spreading and sharing information and ideas. Individual investors discuss with, and are affected by their family members, neighbors and friends, as far as their investment decisions are concerned (Nofsinger, 2005).

Social factors namely social interactions and media, influenced the trading behavior (trading frequency) of individual investors, When taking investment decisions, non-economic factors such as religions, rumors, loyalty to the company's products/services, and opinions of members of the family were found to be insignificant among investors.(Obamuyi (2013), Tabassum Sultana and Pardhasaradhi (2012)

Weinstein (1980) stated that it is belief that an individual is having over an object will cause some action. He further stated that belief leads to development of an attitude towards the objective; be it positive or negative. If the belief is transforming into positive attitude, then an individual is more committal on his action. Similarly, Buehler and Ross (1994) have mentioned that people with stronger beliefs are also having stronger confidence on themselves. After conducting a research among American equity investors, they said, people with greater belief that equity investment will certainly help them in achieving their financial objective have shown greater confidence on equity investments were continue to invest on them despite of many stock market bubbles.

Role of friends on any individual is inseparable. They influence on even most of the crucial personal issues of individuals that include one's own marriage, children marriage, purchase of house and almost every issue (Shilpa Y.S.L 2000).

In the case of most of the first time investors, they are introduced to the investment world by their friends, Rao.C.J.(2010). Similarly, Chan, Y. and L. Kogan (2002) concluded that normally friends are the main source to draw inspiration and motivation especially while doing any adventurous activities. This is especially true in the case of investment decision. Whenever investors are making investments on such assets which are associated with risk, they tend to approach their friends to get mental support from them by getting their approval so that they can feel that they are doing nothing wrong.

In a research conducted by Samantha (2010) on effect of friends on the investment decisions of individuals, she conducted a survey in USA among 500 respondents and she found that some are investing just because their friends are also investing. Their objective is not just earning good returns on their investment, but to be in association of their friends. Gali J (1994) found that it is quite common among the investors to copy the investment decisions of their friends, who are having good knowledge of investments. He further mentioned that this tendency of copying friends is relatively high among the first time and new investors

2.6.1.8 Psychological factors

Psychological biases and personality traits affecting investment behavior are over significance, risk tolerance, self-monitoring and social influence (Kourtidis et al., 2011)

Behavioral Finance experts have to use a range of concepts while understanding investors and markets. One among such concept is “Attitude” of investor. Behavioral investors consider building portfolios as pyramids of assets, layer by layer. The layers are associated with particular goals and particular attitudes toward risk. Behavioral portfolio theory answers some portfolio questions and asks others (Hoje Jo 2008).

Selden (1912) in his research article “*Psychology of Stock Market*” mentioned that once the equity investor develops positive attitude towards investment, he remains committed towards it despite of resistance from any internal or external forces. Further, Weinstein, N. (1980) added that people who are having positive attitude would like to prove those who are injecting negativity wrong. As a result, positive attitude actually makes him ready to face challenges which the stock market will pose due to its fluctuations. Wurgler, J. and K. Zhuravskaya. (2002) have made a similar observation. They stated that, people those who invest on stock market will not earn profits every time. Those who are not having positive attitude are not able to be patient even when there is a minor correction in stock markets. They immediately liquidate their holdings. On the other hand, investors who are having positive attitude towards their investment decision are making use of any correction in the stock market by investing some more amounts by capturing whenever the prices are falling and are able to earn additional profit.

2.6.1.9 Learning and Motivation

For a person to do something new for the first time, one important psychological characteristic is “learning and motivation” which teach lessons from the past. This learning and motivation trait helps the investors not just learning lessons from their own experience but also from the experiences of others. Due to this particular characteristic, every year markets are witnessing first time investors even during the most difficult times as these first time investors have learned from their observation that when the markets have corrected very sharply, there exists an opportunity to invest (Shefrin, H. and M. Statman1999). Rao.C.J (2010) added another perspective to the impact of learning and motivation on investment decision of individuals. He said “People who always want to achieve something new in their life would like to learn things to enter into that area irrespective however riskier that new area may be. They always want to remain as standout achievers in their society”. He conducted a survey among the first time equity investor in India, who has invested during the time of global economic recession to enquire the reasons for investing at that time and found that most of them were highly self motivated to learn and exploit the possible investment opportunities that were existing during deep crash of stock markets.

Similarly, Polk, C. and P. Sapienza. (2001) have also added another dimension. They stated that those people whose quest for learning is very high actually have an ambition of sharing the knowledge which they acquire through learning with others. They went on to say that this kind of investors feel happy when others get profits due to their investment advice. So these investors are very helpful to society as they motivate others also to enter into the market.

2.6.1.10 Value

Some invest in the market for fun as they are not worried on losing their entire investment as they are investing only that much money which is not causing any significant damage to their financial position, if it is completely lost. But, other kind of investor put very high value to their investments and as a result, they take necessary care to safeguard their investment (Shefrin Hersh

M 2002), Thaler Richard (1999), stated that most of the investors who put a high value on their investments, seek professional's or expert's advice before they make up their mind. He further stated that, in some cases, even the most experienced investors are also consulting others not just for the reason that they are investing large amount of money but for they place value on their investments. Another interesting phenomena is observed by Ritter Jay (2003), was that most of the investors who are placing value on their investments have certain target price in their mind to enter and exit in the market. Whenever their target value is achieved, they immediately take the action which was predetermined. They do not regret later when they come to know that the price of the security has raised after their sale. Investors who are placing value on their investment spare time to track the performance.

2.6.1.11 Risk and Return

Quantitative and qualitative research carried out in the past indicates that attitudes to investment risk depend on factors such as personality, circumstances, educational attainment, level of financial knowledge and experience, and extent of financial product portfolio (Conquest Research Limited, 2004; Distribution Technology, 2005). Quantitative research carried out in the US identifies a similar range of factors, including income, wealth, age, marital status, gender and level of education (Finke and Huston, 2003).

In general, it has been observed that women are more risk averse than men, the young are more risk seeking than the old, wealthier individuals manifest a greater willingness to invest in equities and the poor are risk averse (Clark and Strauss, 2008). One US survey (of faculty and staff working at a large university) found that a combination of education, financial knowledge, income and occupation explained the most between-group variability in risk tolerance. Even so, this model only explained about 22% of an individual's financial risk tolerance, suggesting that other factors might differentiate levels of risk tolerance more effectively, such as attitudinal or psychological factors (Grable, 2000).

Attitudes to risk change over time as needs alter and people's capacity to afford to lose varies (Conquest Research Limited, 2004). The evidence indicates fairly clearly that willingness to take

financial risk decreases significantly among people who are retired or nearing retirement (Distribution Technology, 2005; Finke and Huston, 2003). In addition, work carried out in the UK on the measurement of investors' risk appetite (which depends on their attitude to risk) suggests that it fluctuates within a relatively narrow gauge during 'normal' times, but falls sharply during crises (Gai and Vause, 2005).

2.6.1.12 Financial Freedom

Harshvardhan.S. (2011) pointed out the importance of financial freedom in making equity investment decision. According to him, financial freedom is the ability of the investor in making the funds available for investment and his independency on making investment decisions on his own. He said, the proportion of investment on equity oriented securities by most of the Indians is less when compared with proportion of investment on other financial assets like, bank deposits and post office saving schemes as the element of risk associated with equity shares is relatively higher

2.6.1.13 Investment objective

Investment objectives are imbedded in investors' preferences. Aspiration levels constitute an important component of objectives. Investment objectives are mainly grouped into three: Income, Growth, Capital appreciation. A key implication of behavioral portfolio theory is that investors whose goals involve high aspirations act as if they have a high tolerance for risk, implying that investors who set high aspiration levels in combination with an associated high probability of achieving those levels, will tend to choose risky portfolios (Shefrin and Statman, 2000). Risky portfolios are portfolios that are more exposed to market risk and overweight small firms (Barber and Odean, 2001).

2.7 Conclusion and identification of Knowledge gap.

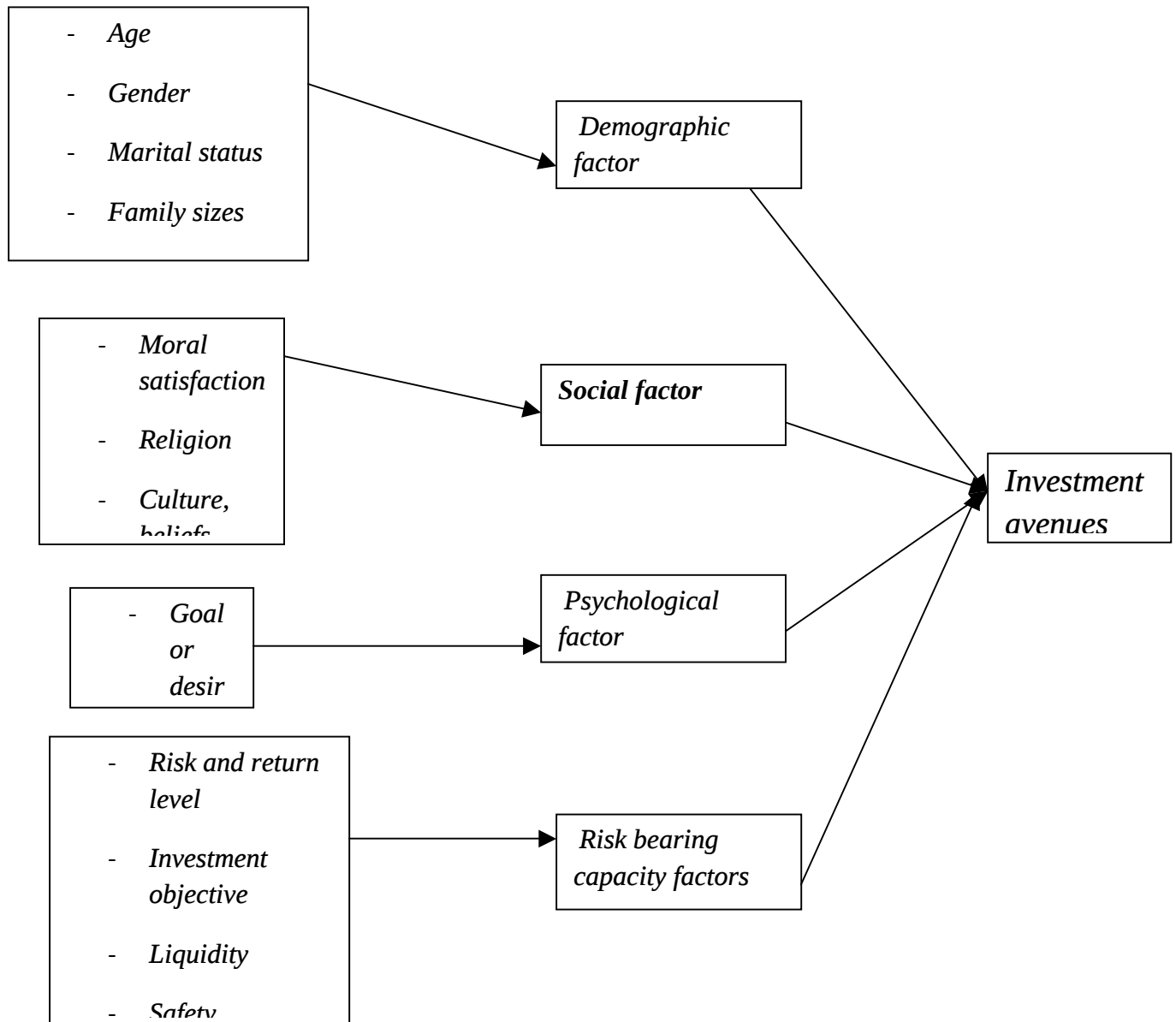
Behavioral finance is a relatively new paradigm of finance, different researcher has explored that the investment decision of individual investors significantly affected by their cognitive and behavioral factors than what the traditional finance says. Empirical facts for which there is wide agreement that the standard paradigm (traditional finance) lacks explanatory power. The joint hypothesis of EMH and capital asset pricing model (CAPM) which is held sacredly by most modern financial economists is now under severe attack by a series of puzzles from which empirical studies have uncovered through the use of advanced statistical techniques and the abundance of market price information. As many researcher found that individual investment decisions are influenced by their psychological, Demographical, social and other behavioral factors,

Individual investment decisions and perceptions are decisively affected by their socio – economic and psychological circumstances. For instance many researchers has investigated that Demographic factors like age, gender, marital status, family size and income level are major factors that significantly affect individual investment decision. On the other hand, researchers has examined that psychological factors like individual attitude, goals or desires, personality are play a major role in determining individual investment decision. An individual investment decision is extensively affected by social factors like family, social, moral satisfaction, friends and media. Findings of behavioral finance studies also examined that risk bearing factors and individual investment objectives are the major factors that affect individual investment decisions. However, the findings of many studies many not applicable in Ethiopian individual investors context, therefore this study examined and test whether the findings and theory of behavioral finance are applicable or in contrary with what the literature says.

On the other side, the study may be considered as the only and the first study in providing the behavioral factors that influence of individual investment decision in Ethiopia, thus the study

may contribute something in area of behavioral finance through providing empirical evidence from Ethiopian banking employees' investment behavior.

Conceptual frame work



Source: self developed

CHAPTER THREE.

Research design and methodology

The purpose of this chapter is to present the research methodology. The chapter is organized in three sections. The first section presents the objective, research questions and hypotheses. This is followed by a discussion of the research approaches and methods adopted in sections two and three respectively. Finally conclusions and the link between research questions and hypotheses and the different data sources are presented in section four.

3.1 Research approach

The research problem along with the philosophy of research methodology would guide the choice of the appropriate research method. On the basis of knowledge claims (such as positivist, social constructivism, advocacy or participatory, and pragmatic approaches), strategy of inquiry that guide selection of particular research methods and specific research methods of data collection and analysis, Creswell (2009) characterizes research approach in to quantitative, qualitative and mixed. Besides, the existence of different types of research approach selecting one approach needs careful understanding of advantage and limitation of the selected research approach. Each approaches of research methodology is presented bellow.

3.1.1 Quantitative Approach

Quantitative research uses positivist knowledge claims (such as cause and effect thinking, reduction to specific variables and hypothesis, use of measurement and observation, and test of theories) employs strategies of inquiry such as experiments and surveys and collect data on predetermined instrument that yields statistical data (Creswell, 2009). The strengths of the quantitative methodology are – it follow scientific approach; bias from the researcher's influence is less; it can employee large sample size; it can test the validity and reliability of the instrument. So, the results can be believed and generalized for larger population. Quantitative research involves counting and measuring of events and performing the statistical analysis of a body of

numerical data (Smith, 1988, cited in Matveev 2002). Moreover, Spratt, Walker and Robinson (2004), Quantitative research places the emphasis on measurement when collecting and analyzing data. Quantitative research is defined, not just by its use of numerical measures but also that it generally follows a natural science model of the research process measurement to establish objective knowledge (that is, knowledge that exists independently of the views and values of the people involved). Generally it makes use of deduction, that is, research is carried out in relation to hypotheses drawn from theory. The assumption behind the positivist paradigm is that there is an objective truth existing in the world that can be measured and explained scientifically

The goal of quantitative research is to identify generalisable laws that are based on the identification of statistical relationships between dependent and independent variables (Ackroyd, 2004.) Subjects are chosen using sampling techniques that are designed to eliminate potential sources of bias and generalizations are made from the sample to a wider population. Methods that are associated with the positivist paradigm include structured interviews and questionnaires, randomized controlled trials, systematic reviews and statistical analysis of official data.

Creswell (2009) explained that, quantitative approach is best to test or verifies theories or explanations by specifying narrow hypothesis and collection of data to support or refute the hypothesis. It employs a review of the existing literature deductively to develop theories and hypothesis to be tested and it tends to assume that there is a cause –effect relationship. By using survey and experimental strategies of inquiry it collect information using preset standardized instruments that can generate relevant statistical data. Furthermore, it uses statistical methods in describing findings from sample population interest i.e. to generalize the result from the sample. Data collected on an instrument that measures attitude like closed ended questionnaire, predetermined approach and numerical data. Well-designed and implemented quantitative approach has the merit of being able to generalize for a broader population, based on findings from the sample. Amaratunga et al. (2002), indicated that quantitative approach can provide wide coverage of the range of situations, fast and economical and statistics are aggregated from large samples, they may be of considerable relevance to policy decisions

Despite of this advantage, quantitative approach has limitations such as, if it is standardized it would lead reliable outcomes besides, due to lack of information about or access to the population and for convenience, the sample may not be representative of the population under study, this may introduce bias and if it is designed ones it is inflexible for certain situations Further, they are not very helpful in generating theories because they focus on what is, or what has been recently, they make it hard for policy makers to infer what changes and actions should take place in the future (Amaratunga et al. 2002).

Given the above points in the mind of the researcher, this study adopted purely quantitative type of research approach and survey methods of strategy was used in collecting and analyzing data in order to better understand the research problem. Survey research provides a quantitative or numeric description of trends, attitudes, or opinions of a population by studying a sample of that population. It includes cross-sectional and longitudinal studies using questionnaires or structured interviews for data collection, with the intent of generalizing from a sample to a population (Babbie, 1990). Since the major aim of the study is to draw a statistical relationship between determinants of bank employees' behavior and selected investment avenues, the quantitative research approach is believed to be more important and adequate, The goal of quantitative research is to identify generalisable laws that are based on the identification of statistical relationships between dependent and independent variables (Ackroyd, 2004.)

3.2 Quantitative Aspect of the research

The quantitative nature of the research is intended to study the determinants of banking employees' behaviors towards selected investment avenues. Specifically, the current study employed a survey design administered through direct self-administered questionnaires to collect a quantitative data from banking employees.

3.2.1 Survey Design

Survey method is quantitative or numeric description of trends, attitudes, or opinions of a population by studying the sample of a population. Survey could be cross sectional (i.e.

collecting data once) or longitudinal (collecting data for many years) based on the timing of collecting data.

Survey method has the following advantages as summarized from Kothari (2004); Smith (2003); and Rajasekar, Philominathan and Chinnathambi (2006): i) survey can be used to collect many different kinds of information, ii) survey is quick and low cost as compared to observation and experimental method. On the other hand, survey design has the following limitations, according to Saris and Gallhofer (2007) and Walden (2002): i) respondent's reluctance to answer questions asked by unknown interviewers about things they consider private, ii) busy people may not want to take the time.

The researcher used self prepared closed ended questionnaires to collect the data required from the sample respondents. Questionnaires have advantages like questionnaires follow a set format and most responses can be entered easily into a computer for ease of analysis, greater numbers can be distributed (Hesse-Biber, 2010). Even though the questionnaire has its own advantages it is not without demerits like design problems, questions have to be relatively simple, low response rate, time delay whilst waiting for responses to be returned, require a return deadline, several reminders may be required, not possible to give assistance if required, problems with incomplete questionnaires, etc (Hesse-Biber, 2010; Saris and Gallhofer, 2007).

3.2.2 Population, Sample size and Sampling design

3.2.2.1 Population

The study population is that —aggregation elements of from which the sample is actually selected (Babbie 1989:170). Besides, the target population for the study will be all public and private bank employees who are permanently employed before September 30,2014, based on the quarterly report submitted by all commercial banks to National bank of Ethiopia there are a total of 50,393 employees are working in the banking sector of the country as on September 30,2014, even though number of employment is rapidly increasing in the banking sector the researcher takes total number of registered employees which is reported to NBE as on September 30,2014 as the study target population which is presented in the following table.

Table 3.1, No of employees in the banking industry as on September 30,2014

Banks	No. of staff
<i>Commercial Bank of Ethiopia S.c</i>	20,083
<i>Construction & Business Bank S.c</i>	1,936
<i>Awash International Bank S.c</i>	4,822
<i>Dashen Bank S.c</i>	4,200
<i>Bank of Abyssinia S.c</i>	2,296
<i>Wegagen Bank S.c</i>	2,777
<i>United Bank S.c</i>	2,507
<i>NIB International Bank S.c</i>	2,351
<i>Co-operative Bank of Oromia S.c</i>	1,636
<i>Lion International Bank S.c</i>	816
<i>Zemen Bank S.c</i>	404
<i>Oromia International Bank S.c</i>	1,883
<i>Berhan International Bank S.c</i>	795
<i>Bunna International Bank S.c</i>	596
<i>Abay Bank S.C.</i>	795
<i>Addis International Bank S.c</i>	184
<i>Debub Global Bank S.c</i>	338
<i>Enat Bank S.C</i>	103
<i>Development Bank of ethiopia</i>	1,216
<i>National Bank of Ethiopia</i>	655

Total	50,393
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Source NBE (Bank supervision Directorate)

3.2.2.2 Sample size and design

Baker (1988) defines a sample as —a selected set of elements or units drawn from a larger whole of the elements, the population. A representative sample can only guaranteed by drawn a sample methodically, thus enabling the researcher to obtain reliable results (De la Rey 1978) .The study focuses on the determinants investment behaviors of bank employees towards selected investment avenues, the researcher selects 385 sample respondents from the total population of 50,393, the sample is drawn based on infinite sampling formula (Chochran, 1977), the infinite sampling formula is applied because the study population is more than 50,000 (Chocran, 1977) that the researcher assumes 95% of confidence level , 5% expected error and 4% confidence interval in which Z value is taken as 1.96 from Cumulative Normal Probability table for 95% of interval and 4% error (Chochran,1977), the formula,

$$SS = \frac{Z^{2*}(P)*(1-p)}{C^2}$$

SS = sample size

Z = z-value (1.96 for a 95%confidence level

P = percentage of population picking a choice

C = confidence interval, expressed as decimal

(Sample formula for infinite population or more than 50,000, (Chochran, 1977)

It is hereby important to mention that the present study adopt the stratified simple random sampling technique in order to collect the survey responses, which involves dividing the population into homogeneous non-overlapping groups (i.e., strata), selecting a sample from each group, and conducting a simple random sample in each stratum. [Cochran, 1977] [Trochim,2005] based on the public employees and private employees, the population of the study divides in to two major groups (strata), which helps the researcher to meet its objective of to compare and

examine the key determinants of behavior of public and private bank employees towards investment decisions. The researcher follows proportional allocation techniques to allocate and distribute the total study samples to each stratum the sample size in a stratum is made proportional to the number of units in the stratum. [Yamane, 1967] [Raj, 1968] [Sukhatme, 1953], the following table presents how the researcher allocates proportionally the total sample of the study to each stratum

Table 3.2. Proportional allocation of total sample to each stratum.

Strata	Total strata population	Weight of the strata	Sample taken from the strata
Public bank employees	23,890	0.47	$0.47 \times 385 = 181$
Private bank employees	26,503	0.53	$0.53 \times 385 = 204$

Sample size determination in each strata by using proportional allocation techniques (Yamane,1968) [Raj, 1967] [Sukhatme, 1953]

Therefore the researcher obtained a survey data from total of 385 sample respondents for which 181 respondents are public bank employees and 204 respondents are private bank employees. The questionnaires were administered to those bank employees through their head office finance department. The questionnaires distributed through finance departments of each banks hence the researcher has direct access to finance managers of all banks the questioner are send to every managers and distributed randomly to respondents. This helps the researcher to get the respondents directly and easily also increased the accuracy and reliability of the questioners

3.2.3 Data source and collection methods

The validity of any research is based on the systematic method of data collection and analysis of the data collected this study adopted descriptive research. The data was collected through primary data as well as secondary data. The study was conducted based on the data collected from the sample size;

3.2.3.1 Survey instrument and design:

The study is done with the primary data using an administered closed ended, comprehensive, structured and pre-tested questionnaire as a tool to assess the investment behavior of banking employees, the questionnaire is based on cardinal and ordinal rules which is simple and direct questions in order to avoid any confusion on the part of the respondents; each question is based on some specific scenario relating to factors affecting individual investment decisions. These scenarios are very much similar with investment behavior theories which tells about the situations faced by investors while investment decision-making in a particular investment. The survey questionnaires were consisted three major parts, the first part consisted demographic, social and psychological factor questioner, these information help the researcher to draw some conclusions on the basis of employees demographic, social and psychological factor, the second part of the questioner consisted employees investment information, finally the third part of the questioner consisted the perceptions of respondents towards investment avenues which used to the researcher to understand major perceptions of bank employees towards the available investment avenues and conclude on the basis of bank employees perceptions. In the survey instrument, the first and second parts needs, demographic, social and psychological details as well as investment information of the respondents and it is ordinal type questioner; but the second part on behavioral factors consist of questions with five point Likert scale. The study adopted the five-point Likert scale which seems appropriate and ideal for the survey instrument used in the present study. In fact, the sample respondents were given scenario based questions to which they will be asked to mark their response in a range from 1 (strongly disagree) to 5 (strongly agree). The secondary data is collected through various websites and reports from NBE and MoT (Ministry of Trade) like number of employees in the banking industry, annual salary payment, number of bank accounts and amount of capital deposited in the bank, number of share companies in the country and number of share holders, this data mainly helped the researcher to present the potential and opportunities of investment in Ethiopia.

3.2.4 Data analyses method

The reliability of the survey instrument was tested with the help of Cronbach's Alpha method. The Cronbach's Alpha method allows us to measure the reliability of different categories. It consists of estimates of how much variation in scores of different variables is attributable to chance or random errors (Selltzm, *et al.*, 1976). The Cronbach's alpha is a measure of internal consistency, that is, how closely related a set of items are as a group. Cronbach's alpha can be written as a function of the number of test items and the average inter-correlation among the items: As a general rule, a coefficient greater than or equal to 0.5 is considered acceptable and a good indication of construct reliability (Nunnally, 1976). The study used descriptive statistical analysis to draw statistical relationship between behavioral variables and investment decisions, correlation and coefficient of variation (CV), were used to draw the relationship between variables. Mann – Whitney U test, Kruskal Wallis test and Chi – Square are applied to test significant relationship between variables and hypothesis. One way ANNOVA and Two sample T test was applied to test the two different samples. Standard deviation (SD), Mean, Variance, and Median were used to describe the influence level of behavioral variables on the investment decision making of employees. Statistical package for social scientists (SPSS-20) has been used to process the field survey data, the chi-square were used to test the hypothesis of the study. Data and analysis are presented by using diagrams, percentages, tables, graphs and bars.

3.2.5 The link between research questions and hypotheses with each closed ended questionnaire

Hypothesis , Research questions	Questioner
RQ1 What are the demographic factors that influences the decisions of banking employees towards selecting a particular investment avenues?	Q1,Q2,Q3,Q4,Q5&Q7
RQ2 What are the social behavioral factors that influences banking employees investment decisions?	Q14. &Q31
RQ3 What are the psychological factors that influences the banking employees' investment decisions and choices of investment avenues?	Q8 &Q26
RQ4 what are risk bearing capacity factors that affects investment decisions of bank employees in Ethiopia?	Q12, Q13,Q15,Q20,Q21,Q22, Q23,Q24,Q25, Q30
RQ5 what are the major saving and investment avenues currently preferred by banking employees?	Q10,Q11,Q19
RQ6 what is the Ethiopian banking employees' perceptions towards selected investment avenues.	Q20 – Q31
H1 There is no significant relation between gender and age groups and investment avenues.	Q1,Q2&Q19
H2 There is no significant relationship between marital status and family size and investment avenues	Q3,Q4&Q19
H3 There is no significant relationship between saving and income level and investment avenues.	Q6 ,Q9 &Q19
H4 There is no significant relationship between social factors and investment avenues	,Q14,Q19
H5 There is no significant relationship between psychological factors and investment avenues	Q8,Q19,Q29
H5 There is no significant relationship between risk level and investment avenues	Q13,Q19,Q20,Q24
H7 There is no significant relationship between investment objective and investment avenues	Q15,Q28

Chapter Four

Results and analysis

This chapter dealt with presentation and analysis of data obtained from survey data, the chapter constructed to present three major results of the study. The first part dealt with the demographic characteristics of the respondents that presented the major demographic features of the sample survey, the second part is data analysis and interpretation of results about the study variables. The last part of the chapter is analysis of respondent perception towards selected investment avenues.

4.1 Overview

The purpose of this study is to assess the determinant of investment behaviors of banking employees towards selected investment avenues. The principal data sources to achieve this broad objective are administered closed ended questioner which are distributed and collected from target respondents i.e. Bank employees. Demographic nature of the respondents, investment status of respondents and perceptions of respondents towards selected investment avenues are the major parts of questioner which are presented and analyses in the following heads.

4.2 Response rate

To undertaking the present study 385 questioner were distributed for sample respondents of which 373 questioner were found as adequate for interpretation which are properly field and returned. That is the response rate is 96.9 %, and questioner that have so many missing items are omitted from the analysis, therefore the 96.9% of questioner are used to analysis and draw findings and recommendation which is highly increased reliability of response rate.

4.3 Reliability test of the data.

The questioner was majorly grouped in to three parts, the first part is dealt with the overall demographic features of the survey sample respondents, where as the second part consisted about investment status of the respondents and the final section of the questioner were about perception which are ordinal types of questions, therefore the reliability test was conducted for each groups of questioner with the help of Corphanch alpha. The corphanch alpha value of the study is .771 which is acceptable because it is more than 0.5. As a general rule, a coefficient greater than or equal to 0.5 is considered acceptable and a good indication of construct reliability (Nunnally, 1976).

Table 4.1. Reliability statistics

Reliability Statistics	
Cronbach's Alpha	N of Items
0.771	65

Source: SPSS result

Table 4 .2 ANOVA with Cochran's Test of Cronbach Alpha.						
		Sum of Squares	df	Mean Square	Cochran's Q	Sig
Between People		2074.804	355	5.845		
	Between Items	7507.664	64	117.307	4518.27	0.00
	Residual	30350.766	22720	1.336		
	Total	37858.431	22784	1.662		
Within People						
Total		39933.235	23139	1.726		
Grand Mean = 3.32						
a. Tukey's test for nonadditivity is undefined for dichotomous data.						

Source: SPSS data result

The above Table (table 4.1) presents the reliability test of the study, as the results reveals that the Cronbach alpha value is .771 which is more than 0.5 and acceptable (Nunnally, 1976), the ANOVA Cochran test also defines the consistency among each questioner were tested and found it is highly consistence at 0.01 significance level. Therefore, each question is prepared and included in the questioner to provide adequate data for the study to meet its broad objective.

4.4 Demographic features of the respondents

Gender

246 respondents from the total collected and valid questioner were male which is accounted to 66.8% of the total respondents where as the remaining 33.2% which is 124 are female respondents

Table . 4.3 gender distribution of the sample survey

Gender	Count	Percent
male	249	66.8
female	124	33.2
Total	373	100.0

Source : survey result

Age

The below Table 4.4 shows the age distribution of the sample respondents. The distribution is categorized as below 25 years, 26 – 35 years, 36 – 45 years, 46 – 55 years and over 55 years. This categorization is used by most study conducted in similar research areas

Table 4.4. Age distribution of the sample survey.

Age groups	Frequency	Percent
Below 25	72	19.3%
26-35	225	60.3%
36-45	57	15.3%
46-55	16	4.3%
Above 55	3	.8%
Total	373	100.0

Source : survey result

Age range below 25 years is the second dominant age in the sample which represents 19.3 %. Age range Between 26 – 35 is highly represented in the sample which was 60.3% of the sample of young group. Age ranges between 36 – 45 years, 46- 55 years and above 55 years was less represented in the sample which were 15.3%, 4.3 and 0.8% respectively.

Table 4.5. Marital status and Family size of the respondents

Marital status	Count	Percent
Unmarried	197	52.8
Married	176	47.2
Total	373	100.0
No of dependent / Families		
Two	133	35.7
Three	69	18.5
Four	70	18.8
Five	38	10.2
more than Five	63	16.9
Total	373	100

Source : survey result

The above table indicated about marital status and number of dependent or family size of the respondents, 47.18% of the sample respondents (N= 176) were married and 52.82% of the bank employees were unmarried (N = 197). The dependent sizes of the sample respondent were

grouped into five groups. 35.7% (N= 133) of the sample respondents were had Two dependent families which share the largest proportion of the respondent, 18.8%(N = 70) of the respondents reported as they had Four member of families. The remaining 16.9% , 18.5% and 10.2% of respondents fall under the group of more than Five, Three and Five dependent families respectively.

Years of experience for the sample respondents is categorized as under 5 Years, 6 – 10 Years, 11 – 15 Years and over 15 Years of experience. 42.4% of the sample respondents were under 5 years of experience, 32.4 % of the sample was 6 – 10 years of work experience in the banking sector, and the remaining 15% and 10.2% of the respondents was accounted to 11 – 15 years and over 15 years of experience respectively. 47.7 % of the respondents was public bank employees (N= 178) where as the remaining 52.3% of the respondents are accounted to private bank employees (N = 195).

Table 4.6. Banking type and Working Experience of the respondents.

Bank Type	Count	Percent
Public bank	178	47.7%
Private bank	195	52.3%
Total	373	100.0
Experience	Frequency	Percent
Below 5 years	158	42.4%
5 - 10years	121	32.4%
10-15years	56	15.0%
More than15 years	38	10.2%
Total	373	100.0

Source : survey result

Income

Average monthly income of the participants categorized in to six groups stated in the Table 4.7. 41% percent of the respondents fall in to 4, 0001.00 – 8,000.00 ETB income level and very small percentage of the sample 2.7% fall in to bellow 20,000.00 ETB income group. 37% of the sample respondents were found as an average monthly income of 8,001.00 – 15,000.000 ETB

category and the second most dominant income group in the sample next to the 4,001 – 8,000.00 ETB income group. The remaining 11.5 %, 6.2% and 1.6% of respondents are fall under 2,000.00 – 4,000.00 ETB income group, 15,001 – 20,000.00 ETB group and over 20,001 ETB average monthly income level group respectively.

Table 4.7. Average monthly income of the sample respondents.

Average monthly income	Count	Percent
Below 2,000.00	10	2.7
2,001.00 - 4000.00	43	11.5
4,001.00 - 8,000.00	153	41.0
8,001.00 - 15,000.00	138	37.0
15,001.00 - 20,000.00	23	6.2
Above 20,000	6	1.6
Total	373	100.0

Source : survey result

4.5 Demographic factors that affect investment behaviors of Banking employees

4.5.1 Age

Age is the major demographic factor that influences the choices of various investors towards different investment avenues. Here the impact level of the banking employees' age in selecting different investment avenues presented below.

Table 4.8 presents the investment status of different age groups of the respondents. The table ascertains that 61.11% of the respondent from the age group below 25 years invested in Bank deposit, where as 25% of the same age group invested in Government bond

Table 4.8. Relationship between respondents' Age and investment Avenues

Age category	Types of Investment Avenues										Total	
	Bank Deposit		shares/equities		Government bond		life insurance		Real Estate /property			
	count	percentage	count	percentage	count	percentage	count	percentage	count	percentage		
<25	44	61.11%	4	5.56%	18	25.00%	3	4.17%	3	4.17%	72	100.0%
26-35	100	44.44%	24	10.6%	46	20.44%	5	2.22%	50	22.22%	225	100.0%
36-45	16	28.07%	6	10.5%	14	24.56%	1	1.75%	20	35.09%	57	100.0%
46-55	3	18.75%	0	0.00%	3	18.75%	1	6.25%	9	56.25%	16	100.0%
>55	1	33.33%	0	0.00%	0	0.00%	0	0.00%	2	66.67%	3	100.0%
Total	164	43.97%	34	9.12%	81	21.7%	10	2.68%	84	22.56%	373	

Source : survey result and own computation

The remains 5.56%, 4.17%, and 4.17% of this group respondents are invested in Shares/Equities, Life insurance and Real estate /Property respectively.

44.44% of the second age group of respondents which is between 26 years to 35 years are invested in Bank deposit, the second most invested avenue by this group is Real estate / Property which accounted to 22.22% of the age group respondent. The remains portion of this age group respondents are invested in Government bond, Shares /equities and Life insurance accordingly.

From the total sample respondents of the age group between 36 – 45 years 35.09% of them are invested in Real Estate /property Investment Avenue and 24.56% of the age group respondent invested in government bond. The majority of the 46 – 55 years age group respondents invested in Real estate, which is 56.25%. Similarly Real Estate /Property Investment Avenue is the most invested avenue by age group of more than 55 years which is 66.67%

Conclusion , 43.97% of the total respondents are invested in Bank Deposit, 22.56% of the respondents are invested in Real estate, where as Government Bond is the third most invested

avenues by all age groups but, Life insurance is the least invested avenues by all age group of respondents.

To test whether age has an impact on the bank employees investment choice the study used Chi-square test and kurksual Wallis test,. The Chie- square test was applied to test the study hypothesis which is, there is no significant relationship between Age and investment Avenues. Kurskual tes was applied to examine the impact of Age on selection of individual investment avenues.

Table 4.9. Chi Squire test, for age and investment Avenues

Age group	Investment Avenues					Total
	Bank Deposit	shares/equities	government bond	life insurance	Real Estate /property	
<25	44	4	18	3	3	72
26-35	100	24	46	5	50	225
36-45	16	6	14	1	20	57
46-55	3	0	3	1	9	16
>55	1	0	0	0	2	3
	164	34	81	10	84	373

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	42.645 ^a	16	.000
Likelihood Ratio	47.213	16	.000
Linear-by-Linear Association	31.805	1	.000
N of Valid Cases	373		
a. 11 cells (44.0%) have expected count less than 5. The minimum expected count is .08.			

Source: SPSS result

As the above Table 4.9, indicates that there is a significant relationship between different age groups and investment avenues. It is evaluated that the computed value of chi –square is 42.645, where tabulated value using 5% level of significance is 16.919. Therefore Computed value is

greater than tabulated value, the null hypothesis which is, there is no significant relationship between age and investment avenues is rejected, and statically evidenced that there is significant relationship between bank employees age and investment avenues.

Table 4.10 :Ranks Given to Different Investment Avenues by Employees of Different Age			
	Age	N	Mean Rank
Bank Deposit	<25	72	173.33
	26-35	223	188.41
	36-45	57	182.33
	46-55	15	216.17
	>55	3	168.33
	Total	370	
Shares /Equities	<25	72	219.77
	26-35	225	181.99
	36-45	57	163.92
	46-55	15	186.20
	>55	3	156.50
	Total	372	
Government Bond	<25	72	183.78
	26-35	225	182.71
	36-45	56	198.15
	46-55	14	158.36
	>55	3	326.50
	Total	370	
Real Estate/Property	<25	72	196.88
	26-35	225	185.03
	36-45	57	186.36
	46-55	15	156.63
	>55	3	199.67
	Total	372	
Life Insurance	<25	72	155.08
	26-35	225	188.84
	36-45	56	204.99
	46-55	14	217.96
	>55	3	149.83
	Total	370	

Table 4.11 Kruskal Wallis Test Statistics[#] for age and investment avenues

	Bank Deposit	Shares /Equities	Government Bond	Real Estate	Life Insurance
Chi-Square	2.627	16.100	12.557	12.044	10.162
df	4	4	4	4	4
Asymp. Sig.	.622	.001 [*]	.009 ^{**}	.028 ^{**}	.038 ^{**}
Note [#] Grouping Variable: age , [*] implies significant at 1% ^{**} implies significant at 5%					

Source: SPSS result

To test whether the choice of investment varies with age group the Kruskal –Wallis test was performed and the result is presented in Table 4.10 and 4.11. Employees of different age groups do vary significantly with regard to Shares /equities, Government Bond, Real Estate and Life insurance at 1% and 5% significance level

Young and middle aged employees (26 -35years) and(36-45 years) find investing in Shares/Equities found comfortable (Mean =181.99, 163.92 respectively), while employees aged more than 55 years find Life Insurance as more comfortable option (Mean = 149.8.). While employees aged 46 – 55 years find Real estate as more comfortable avenues (Mean = 156.63).

Conclusion: the majority of the sample employees are age between 26 – 35 years, due to widely availability and accessibility, Bank Deposit is the most invested avenues by age group of below 25 years and between 26-35 years. Employees where as Life insurance is found as suitable invested avenues for respondents who are above 55 years old. Shares/equities are found as the comfortable investment avenues by young and middle aged banking employees. Real estate investment found as comfortable investment for banking employees of 36- 45 years old. Employees' investment avenues choice found as significantly dependent on their age, the Kruskal Wallis test indicated except with Bank Deposit employees' choice of Shares/Equities, Real Estate/Property, Government Bond and Life insurance do significantly vary with their age.

4.5.2 Gender

The study used gender of the bank employees to identify whether their choice of investment avenues vary with their respective gender. The status of investment of the sample banking employees is presented in Table 4.12. The data reveals that Bank Deposit is the most invested avenues by both female and male respondents. Real estate/property is the second most invested avenues by male respondent (24.9%), where as Government Bond find the second invested avenues by Female. Life insurance is found as the least invested by both Female and Male respondents.

Table 4.12. Gender and Investment status of the sample Respondent

	Types of investment avenues										Total	
	Bank Deposit		shares/equities		Government bond		life insurance		Real Estate /property			
Gender	count	percent	count	percent	count	percent	count	percent	count	percent	count	percent
Male	109	43.78%	19	7.63%	54	21.69%	5	2.01%	62	24.90%	249	100%
Female	55	44.35%	15	12.10%	27	21.77%	5	4.03%	22	17.74%	124	100%
Total	164	43.97%	34	9.12%	81	21.72%	10	2.68%	84	22.52%	373	

Source: SPSS result and own computation

Table 4.12. Reveals that significant difference is observed in shares and Real estate, that is 12.1% of females are invested in Shares but only 7.63% of males are invested in shares /Equities. The list proportion of both gender are invested in Life insurance which is only 5%.

To test the study hypothesis, there is no significant relationship between gender and investment avenues. Chi-square test was performed, Table 4.13, reveals that there is statistically significant relationship between gender of bank employees and investment avenues. The result shows the calculated Chi Square of gender and Investment Avenues are greater than tabulated value. Therefore, the null hypothesis which is there is no significant relationship between gender and investment avenues are rejected at 1% significance level.

Table 4.13 Chi – Square result for Gender and Investment avenues.

	Gender	Investment Avenues
Chi-Square	41.890 ^a	186.906 ^b
df	1	4
Asymp. Sig.	.000	.000
a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 186.5.		

Source: SPSS result

To study whether the choice of investment avenues vary with the gender, the Mann – Whitney U test was performed. The results of the test are given in Table 4.14 and 4.15.

Table 4.14. Ranks Given to Different Investment Avenues by Employees of Different Gender			
	gender	N	Mean Rank
Bank Deposit	male	248	197.47
	female	122	161.17
	Total	370	
shares /equities	male	248	170.75
	female	124	218.00
	Total	372	
government bond	male	246	190.63
	female	124	175.31
	Total	370	
Real estate /Property	male	248	189.29
	female	124	180.93
	Total	372	
Life insurance	male	246	192.49
	female	124	171.63
	Total	370	

Table 4.15 Mann – Whitney U Test Statistics between Gender and investment avenues[#]					
	Bank Deposit	Shares /Equities	Government Bond	Real estate /Property	Life Insurance
Mann-Whitney U	12160.000	11470.000	13989.000	14685.000	13531.500
Wilcoxon W	19663.000	42346.000	21739.000	22435.000	21281.500
Z	-3.173	-4.202	-1.345	-.730	-1.830
Asymp. Sig. (2-tailed)	.002*	.000**	.179	.465	.067
[#] Grouping Variable: gender , * implies significant at 1% ** implies significant at 5%					

Source: SPSS result

The results reveal that the difference are not significant for Government Bond, Real estate/property and Life insurance. However, differences were observed to be significant for Bank deposit and Shares/ equities. Males and females do vary significantly regarding Bank Deposit (significant at 5%) and shares /equities (significant at 1 %) as their preference of investment. The mean ranks to the investment avenues as classified on the basis of gender are given in above Table 4.14. It can be noted from the Table that while male prefer Bank deposit than Female that the mean of Bank deposit 248 and 122 for male and female respectively, but share /Equities are attractive by females than males, the mean 218 and 170.75 ranked for female and male respectively.

Conclusion: Based on the results shown above it can be conclude as gender and investment avenues are significantly related. Gender and choice of Bank deposit and Share/Equities types of investment has significant relationship, where as there is no significant relationship between gender and choice of Government Bond, Real estate /property and Life insurance types of Investment. Shares /equities is the most preferable and attractive investment by females than males, where as the other investment avenues are preferable by male than females.

4.5.3 Marital status

Marital status of the investors is one of the factors that affect investment decision. In literature it is found that married investors are invested in less risky investment than unmarried (single)

individuals ((Lazzarone, 1996). The Ethiopian banking employees' choice of investment relation with their marital status is presented under Table 4.16. The result reveals that 49.75% of unmarried respondents are invested in Bank Deposit and; where as 22.84% of unmarried respondents are invested in Government bond. Bank and Government bond investment is the most invested avenue by married which is accounted to 37.5 % of the total married respondents

The second most invested investment avenue by married group of respondents is Real estate /Property which is 28.41%. Life insurance is the least invested avenue by both married and unmarried respondents.

Table 4.16 Marital status of the respondent and investment status

	Types of Investment Avenues										Total	
	Bank Deposit		shares/equities		government bond and		life insurance		Real Estate /property			
	count	percent	count	percent age	count	percent age	count	percent age	count	percent age	count	percent age
unmarried	98	49.75 %	16	8.12%	45	22.84%	4	2.03%	34	17.26%	197	100.00 %
married	66	37.50 %	18	10.23%	36	20.45%	6	3.41%	50	28.41%	176	100.00 %
36-45	164	43.97 %	34	9.12%	81	21.72%	10	2.68%	84	22.52%	373	100.00 %

Source : SPSS result and own computation

To test the research hypothesis, there is no significant relationship between marital status and investment avenues Chi - square test was performed and the result is presented in Table 4.17.

Table 4.17 Chi-Square Tests for marital and Investment Avenue			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.657 ^a	4	0.047
Likelihood Ratio	9.69	4	0.046
Linear-by-Linear Association	8.108	1	0.004
N of Valid Cases	373		
a. 1 cells (10.0%) have expected count less than 5. The minimum expected count is 4.72.			

Source : SPSS result

As the Chi-square test Table 19 revealed that there is significant relationship between marital status and choice of investment avenues. The calculated Chi square Value which is 9.657 is more than tabulated value of .047 and it is significant at 5%. Therefore the Null hypothesis which is there is no significant relationship between marital status and choice of investment is rejected.

Table 4.18 Ranks Given to Different Investment Avenues by Employees of Different Marital			
investment avenue	Marital	N	Mean Rank
Bank Deposit	unmarried	195	183.25
	married	175	188.01
	Total	370	
Shares Equity	unmarried	197	198.89
	married	175	172.55
	Total	372	
Government Bond	unmarried	197	186.16
	married	173	184.75
	Total	370	
Real Estate	unmarried	197	195.62
	married	175	176.23
	Total	372	
Life insurance	unmarried	197	177.98
	married	173	194.06
	Total	370	

Table 4.19 Mann – Whitney U test for marital and different investment avenues					
	Bank Deposit	Shares and Equities	Government bond	Real Estate /Property	Life insurance
Mann-Whitney U	16623.500	14797.000	16910.000	15440.000	15559.500
Wilcoxon W	35733.500	30197.000	31961.000	30840.000	35062.500
Z	-.442	-3.479	-3.31	-1.794	-2.490
Asymp. Sig. (2-tailed)	.659	.013**	.005**	.003**	.106**
a. Grouping Variable: marital. ** implies significant at 1% significance level.					

Source : SPSS result and own computation

To test whether marital status of banking employees has an effect on the choice of investment avenues Mann Whitney U test was performed. The results Table 4.18 and 4.19 of the test show that employees of different marital status significantly vary with respect to Government Bond, Life insurance, Real estate and Shares /equities as their preference of investment at 5 % significant level. But there is no significant relationship between bank deposit and marital status of banking employees.

Conclusion: Bank deposit is the most preferred and invested avenues by both unmarried and married and followed by Real Estate/Property. Based on the above statistical results particularly Mann – Whitney U and Chi square test it can be concluded that there is significant relationship between marital status of Ethiopian banking employees with Real estate, Government Bond, Life insurance and shares/equities types of investment.

4.5.4 Family size

Most researches indicated that family size is one of the demographic factors that affect individual investment behavior (Lease, Lewellen, and Schlarbaum, 1977). The status and relationship of family size of Ethiopian banking employees and different investment avenues are presented below. The study categorized the family size in to five groups, Two, Three, Four, Five and More than Five.

Bank deposit is the most invested avenues by all family size, as the Table 4.20 indicate, 61.1% of respondents those have two family members invested in Bank deposit, respondent who have three family member invested in bank deposit is 44.44%, bank deposit is chosen by 28.07% from the total four families' respondents, where as 34.21% from the respondent who have five family size invested also in bank deposit, at last 40% of the respondent from family size of more than five invested in Bank Deposit.

Share /Equities type of investment is the fourth most invested type of investment by the respondents who have family size of two, three, Four and more than five which is only 9.02%,

8.7% , 4.23% and 11.67% respectively. Table 4.20 reveals that, share/equities is the third most invested investment avenue by fourth group of family size respondent, which accounted to 15.79%.

Real Estate is the second most invested avenues by the first and the second groups of family size respondents followed by government bond, the last invested avenue by this two group is Life insurance, which accounted only 3.76% and none of the responded who have three family members are invested in Life insurance.

Table 4.20 Family size of the respondent and investment status

No. Families	Types of Investment Avenues										Total	
	bank and government bond		shares/equiti es		government bond		life insurance		Real Estate /property			
	count	percent	co unt	percent	co unt	percent	co unt		co unt	percent	cou nt	percen t
Two	79	61.11%	12	9.02%	15	11.28%	5	3.76%	22	16.54%	133	100 %
Three	28	44.44%	6	8.70%	17	24.64%	0	0.00%	18	26.09%	69	100%
Four	18	28.07%	3	4.29%	22	31.43%	1	1.43%	26	37.14%	70	100%
Five	13	34.21%	6	15.79%	12	31.58%	1	2.63%	6	15.79%	38	100%
More than Five	24	40.00%	7	11.67%	15	25.00%	3	5.00%	11	18.33%	60	100%
Total	162	43.78%	34	9.19%	81	21.89%	10	2.70%	83	22.43%	370	100%

Source : SPSS result and own computation

To test the research hypothesis of there is no significant relationship between family size and investment avenues Chi – square test was performed. The result presented in Table 4.21

Table 4.21. Chi-Square Tests for family size and Investment avenues.			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	44.144 ^a	16	.000
Likelihood Ratio	46.248	16	.000
Linear-by-Linear Association	3.842	1	0.05
N of Valid Cases	370		
a. 6 cells (24.0%) have expected count less than 5. The minimum expected count is 1.03.			

Source : SPSS result

As the Chi-square test indicated that there is significant relationship between family size of the banking employees with their choice of investment avenues, the calculated Chi-square 44.144 is more than tabulated value, therefore, the null hypothesis which stated, there is no significant relationship between family size and investment avenues is rejected at 1% significance level.

To study the relationships between family size and each type of investment avenue, Kruskal-Wallis test was applied. Table 4.22 and 4.23 results reveal that, except Bank deposit all investment avenues are significantly related with family size, as the Chi-square of Kruskal-Wallis test indicates in Table 4.23 family size has significant relationship with Life insurance at 1%, Government Bond at 1%, Shares /Equities at 5% and Real estate at 1% significance level.

The mean ranks to the investment avenues as classified on the basis of Family size are given in below Table 4.22. It can be noted from the Table that while bank employees who have Two family members prefer Real Estate than other family group respondents (Mean = 172.81), but Shares /Equities are attractive by respondents of Four family size group than others, (Mean = 170.5) Life insurance is the most preferable investment by respondents who have family members of more than five (Mean = 164.43).

Table 4.22. Ranks Given to Different Investment Avenues by Employees of Different Martial			
	Family Size	N	Mean Rank
Bank Deposit	Two	131	182.96
	Three	69	199.63
	Four	69	186.43
	Five	38	167.36
	More than Five	60	176.04
	Total	367	
Shares /Equities	Two	133	185.35
	Three	69	185.18
	Four	69	170.15
	Five	38	183.97
	More than Five	60	201.74
	Total	369	
Government Bond	Two	132	192.48
	Three	68	185.40
	Four	69	176.02
	Five	38	195.09
	More than Five	60	165.91
	Total	367	
Real Estate	Two	133	172.81
	Three	68	190.74
	Four	70	189.66
	Five	38	183.41
	More than Five	60	201.10
	Total	369	
Life Insurance	Two	132	181.66
	Three	68	202.18
	Four	69	187.30
	Five	38	184.49
	More than Five	60	164.43
	Total	367	

Table 4.23 Kruskal Wallis Test Statistics[#] for Family size and Investment Avenues					
	Banking Deposit	Shares /Equities	Government Bond	Real estate/Property	Life insurance
Chi-Square	3.016	13.116*	13.639*	13.676*	14.449*
df	4	4	4	4	4
Asymp. Sig.	.555	.039	.007	.002	.001
Note [#] Grouping Variable: Family Size , * implies significant at 1% ** implies significant at 5%					

Source : SPSS result and own computation

Conclusion: the result of survey data regarding to whether family size of bank employees influence their investment avenues choice or not, results that number of dependent or member of families are significantly influence on choice of Real estate/Property, Shares/Equities, Government Bond and Life insurance avenues. Those who have less family members prefer and comfortable with Real Estate, while Shares /Equity is more attractive for the bank employees those family size is four and Life insurance is most preferable avenues by more family size employees.

4.5.5 Income

Income is a source of investment for salaried investors, and also affects their behavior towards investment, the relationship between income level of the banking employees and different investment avenues are presented as follows.

Table 4.24 reveal that 90% of the income group below 2,000.00 ETB invested in bank deposit, where as the rest 10% is accounted to Government bond. Most of the respondent from the income group 4,001- 8,000.00 ETB invested in Bank Deposit it shares 60.47% of the group respondent, the second most invested avenue by this group of income is Government Bond that is 16.28%. Real Estate, Life insurance and Share equities are the investment avenues invested by this group of income accordingly.

Real estate is the most preferred and invested avenue by the income group of 15,001 – 20,000.00 ETB respondents which is 47.83% are invested in Real Este and followed by Bank deposit and Shares / Equities which are invested by 21.74% of the group respondent, 4.35% of the group respondents invested in Life insurance which is the least invested avenue by all income group.

Table 4.24 Investment status of different income employees

Monthly income	Investment Avenues										Total	
	Bank Deposit		shares/equities		government bond		life insurance		Real Estate /property			
	count	percent	count	percent	count	percent	count	percent	count	percent	count	percent
<2,000.00	9	90.00%	0	0.00%	1	10.00%	0	0.00%	0	0.00%	10	100.00%
2,001.00 - 4000.00	26	60.47%	2	4.65%	7	16.28%	4	9.30%	4	9.30%	43	100.00%
4,001.00 - 8,000.00	67	43.79%	14	9.15%	38	24.84%	4	2.61%	30	19.61%	153	100.00%
8,001.00 - 15,000.00	57	41.30%	13	9.42%	33	23.91%	1	0.72%	34	24.64%	138	100.00%
15,001.00 - 20,000.00	5	21.74%	5	21.74%	1	4.35%	1	4.35%	11	47.83%	23	100.00%
20,000<	0	0.00%	0	0.00%	1	16.67%	0	0.00%	5	83.33%	6	100.00%
	164		34		81		10		84		373	

To test the hypothesis of, there is no significant relationship between Bank employees' income level and investment avenues Chi-Square test was applied. Table 4.25 result revealed that the existence of significant relationship between income level of Bank employees and investment avenues.

Table 4.25 Chi-Square Tests between Income and Investment avenues			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	57.341 ^a	20	.000
Likelihood Ratio	57.438	20	.000
Linear-by-Linear Association	22.087	1	.000
N of Valid Cases	373		
a. 17 cells (56.7%) have expected count less than 5. The minimum expected count is .16.			

Source : SPSS result

The Chi-Square test Table 28. confirm that the relation between income level and investment Avenues is significant at 1%, the result of Chi-Square calculated value (57.314) is above tabulated value, therefore the null hypothesis which stated as there is no relationship between

income level and investment avenue is rejected and the alternative hypothesis is accepted at 1% significance level.

To test the relationship between different income level and different investment avenues Kruskal Wallis test was used. The results Table 4.26 and 4.27 of the test indicates that employees of different income groups vary significantly with respect to shares /equities, Government Bond, Real estate and Life Insurance as their choice of investment.

Table 4.26. Ranks Given to Different Investment Avenues by Employees of Different Income Level			
	Monthly Income	N	Mean Rank
Bank Deposit	<2,000.00	10	130.15
	2,001.00 - 4000.00	43	183.35
	4,001.00 - 8,000.00	151	175.68
	8,001.00 - 15,000.00	137	187.43
	15,001.00 - 20,000.00	23	208.35
	20,000<	6	241.83
	Total	370	
Shares/Equity	<2,000.00	10	175.25
	2,001.00 - 4000.00	43	198.19
	4,001.00 - 8,000.00	153	146.30
	8,001.00 - 15,000.00	137	176.09
	15,001.00 - 20,000.00	23	126.30
	20,000<	6	138.25
	Total	372	
Government Bond	<2,000.00	10	165.40
	2,001.00 - 4000.00	43	197.67
	4,001.00 - 8,000.00	153	175.99
	8,001.00 - 15,000.00	137	184.50
	15,001.00 - 20,000.00	21	230.14
	20,000<	6	240.83
	Total	370	
Real estate	<2,000.00	10	171.60
	2,001.00 - 4000.00	43	201.14
	4,001.00 - 8,000.00	153	188.90
	8,001.00 - 15,000.00	138	158.96
	15,001.00 - 20,000.00	22	160.57
	20,000<	6	83.58
	Total	372	
Life insurance	<2,000.00	10	154.10
	2,001.00 - 4000.00	43	171.07
	4,001.00 - 8,000.00	153	174.81
	8,001.00 - 15,000.00	137	200.07
	15,001.00 - 20,000.00	21	194.83
	20,000<	6	148.67
	Total	370	

Source : SPSS result and own computation

Table 4.27 Kruskal Wallis Test Statistics[#] for income and Investment Avenues					
	Banking Deposit	Shares/Equity	Government Bond	Real Estate/Property	Life Insurance
Chi-Square	6.193	11.198*	17.905*	18.449*	18.500*
df	5	5	5	5	5
Asymp. Sig.	.288	.048	.042	.033	.031
Note [#] Grouping Variable: income , * implies significant at 1% ** implies significant at 5%					

Source : SPSS result

Employees with low income particularly those who have monthly income of less than 2,000.00 ETB like to invest their money in Bank deposit (Mean rank = 130) and they refrain from investing other investment avenues. Employees with monthly income between 4,000.00 – 8,000.00ETB, like to invest in shares /equities (Mean = 146.3), while employees with monthly income between 8,001.00 – 15,000.00ETB prefer investing in Real estate and share/Equities (Mean = 158, 176 respectively.) . Employees with the monthly income between 15,001.00 – 20,001.00ETB, like to invest Shares/Equities and Real Estate (Mean = 126.3 and 160.57 respectively), while employees with their income is above 20,001.00ETB prefers to invest Real Estate and Life Insurance (Mean = 83 and 148 respectively.)

Conclusion: income level of the bank employees is found as the major determinant factor of the banking employees' behavior towards selecting particular investment avenues. The study found that those who have high monthly income prefer to invest in Real Estate and Life insurance, while middle level income prefers to invest Real estate and Equities and less income employees are refraining to invest in other investment avenues except than Bank deposit. The study found that the Income level of bank employees significantly influences the choice of Real estate/property, Shares /Equities, Government Bond and Life Insurance types of investment.

4.5.6 Saving level

Capacity of saving is the major determinant factors for individual investment decisions ((Thaler and Benartzi, 2004), the Ethiopian Banking employees saving level influence on their choice of investment avenues are presented in Table 4.29.

Table 4.28 saving level and investment avenues						
	Investment Avenues					Total
	Bank Deposit	shares/equities	government bond a	life insurance	Real Estate /property	
<10%	107	19	55	5	42	228
10-15%	34	8	14	3	18	77
15-20%	9	3	4	0	13	29
20 - 25%	9	2	4	2	8	25
25%<	4	2	4	0	3	13
	163	34	81	10	84	372

Table 4.28 presents that the investment status for different saving level of bank employees, as the frequency revealed that most of the respondents (N= 228) are save 10% of their monthly income, this saving group of respondents are mostly prefer and invested in Bank Deposit followed by Government bond and Real estate respectively, while, they are no attractive by Life insurance. Real estate is the next most preferred types of investment avenues for the respondent who save 10- 15% of their monthly income. Real estate is the most attractive investment avenues for those save 15-20% of their monthly income.

To test the influence level of banking employees saving level on choice of investment avenues Chie-Squire test was performed, and the result is presented in Table 4.30.

Table 4.29. Chi-Square Tests for Saving level and investment avenues.			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	19.607 ^a	16	.238
Likelihood Ratio	18.573	16	.291
Linear-by-Linear Association	5.981	1	.014
N of Valid Cases	372		
a. 9 cells (36.0%) have expected count less than 5. The minimum expected count is .35.			

Source : SPSS result

Table 4.29 reveals that there is no significant relationship between saving level of employees and choice of investment avenues because the calculated Chi – square Value is less than the tabulated value, as a result the null hypothesis, there is no significant relationship between income level and investment avenues has been accepted.

Conclusion: the study found that most of the banking employees save 10% of their income, and most of employees are save their income in Bank and saving and credit association. Bank deposit, government bond and Real estate are the most preferred avenues for those employees who save 10% of their income. Real estate is found the selective investment for employees who relatively save more of their income. The statistical result reveals that saving level of employees does not have significant influence on choice of investment avenues.

4.5.7 Experience

Table 4.30. Respondents experience and choice of investment avenues.

Monthly income	Investment Avenues										Total	
	Bank deposit		shares/equities		Government bond		life insurance		Real Estate /property			
	count	percent	count	percent	count	percent	count	percent	count	percent	count	percent
<5 years	86	54.4%	12	7.59%	33	20.89%	7	4.43%	20	12.66%	158	100
5 - 10years	52	42.98%	12	9.92%	27	22.31%	1	0.83%	29	23.97%	121	100
10-15years	17	30.36%	7	12.50%	13	23.21%	1	1.79%	18	32.14%	56	100
15 years<	9	23.68%	3	7.89%	8	21.05%	1	2.63%	17	44.74%	38	100
	164	43.97%	34	9.12%	81	21.72%	10	2.68%	84	22.52%	373	100

Source : SPSS result and own computation

Table 4.30 presents the respondent work experience with different investment avenues. The study grouped the experience of employees into four groups, from the respondent who have experience of less than five years 54.43% are invested in Bank Deposit, while 20.89% of this group respondent are invested in Government Bond. The most experienced bank employees who have more than 15 year experience are invested in Real Estate investment which accounted 44.7% from the group respondent, similarly Real estate/ Property also the most invested avenues by 10-15 years experience respondents which accounted 32.14% of the group respondents. Life insurance is the least invested investment avenues by all experience groups of respondents.

To test the influence level of bank employees on their investment choice the study performed Chi-Square test. Table 4.31 reveals that there is a significant relationship has been found between years of experience of bank employees and choice of investment avenues.

Table 4.31 Chi-Square Tests for work experience and investment avenues.			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	32.354 ^a	12	.001
Likelihood Ratio	32.490	12	.001
Linear-by-Linear Association	23.291	1	.000
N of Valid Cases	373		
a. 5 cells (25.0%) have expected count less than 5. The minimum expected count is 1.02.			

Source : SPSS result

Conclusion: the statistically result of the study documented that the work experience of the Ethiopian banking employees significantly influences their choice of investment avenues

4.6 Comparing Investment Behaviors of Public and Private Bank employees

Examining the preference of investment among public bank employees and private bank employees is one of the specific objectives of the study. To carry out this objective the study applied two sample T test and ANOVA test results.

Table 4.32 present two sample T test results, the result reveal that, the mean of the two sample is significantly different for Bank Deposit and shares /Equities at 1 % significance level. Employees' of public and private banks do significantly different in their choice and perception of Real Estate investment the t- test result shows the difference is significant at 5% significance level.

Table 4.32 Two sample T – test result for two independent samples.

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Bank Deposit	Equal variances assumed	5.106	.024	-2.563	368	.011	-.329	.128	-.581	-.077
	Equal variances not assumed			-2.559	361.417	.011	-.329	.129	-.582	-.076
Shares /Equities	Equal variances assumed	10.631	.001	3.444	370	.001	.387	.112	.166	.608
	Equal variances not assumed			3.419	348.833	.001	.387	.113	.164	.610
Government Bond	Equal variances assumed	.481	.489	-1.377	368	.169	-.165	.120	-.400	.070
	Equal variances not assumed			-1.375	362.920	.170	-.165	.120	-.400	.071
Real Estate	Equal variances assumed	3.288	.071	1.644	370	.022	.244	.148	-.048	.535
	Equal variances not assumed			1.639	359.963	.022	.244	.149	-.049	.536
Life insurance	Equal variances assumed	4.491	.035	-1.768	368	.078	-.219	.124	-.462	.025
	Equal variances not assumed			-1.759	353.004	.079	-.219	.124	-.463	.026

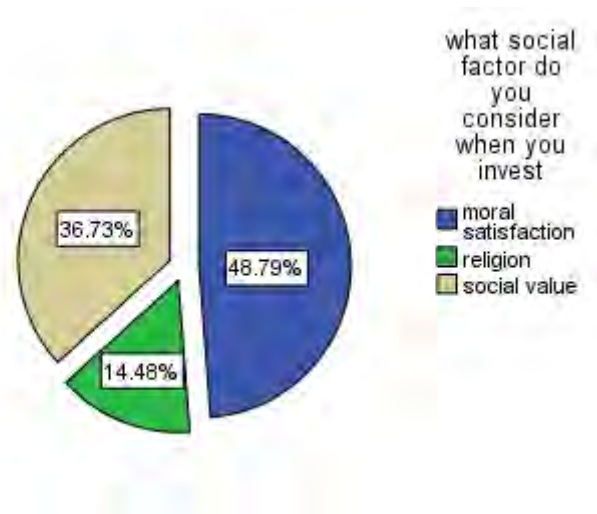
Source : SPSS result

In the case of Government Bond, Life insurance and Real Estate types of investment, which the two samples T-test result reveals that the choice of investment among public and private bank employees is insignificant, which implies that the preference towards Life insurance and Government Bond do not significantly vary among employees of different bank category (public or private).

Conclusion: the study found that regarding to Real Estate, Bank Deposit and Share/equities type of investment the perception and choice of investment avenues do significantly vary between public and private Bank employees. As computed t- result reveals that for bank Deposit avenues the public and private banks are negatively varied where are the difference between the two sample on Shares/Equities and Real states is positive.

4.7 The impact of Social factors on banking employees choice of investment avenues.

Fig. 4.1 Respondents priority towards social factors.+



Source : SPSS result and own computation

Figure 4.1 presents the frequency of respondents towards social factor, 48.8% of the total respondents consider moral satisfaction when they decide to invest, whereas, 14.5% of the sample of banking employees give priority for religion when they consider investment, the remain 36.7% consider social value like culture , beliefs and other before they decide to invest in the particular investment avenues.

Table 4.33 shows the pattern of investment by respondents who are considering different social factor in investment choice. As the table reveal that Bank deposit is considered as the best

avenues for achieving all social factor by all respondents, 47.80% of respondent who give priority for moral satisfaction invested in Bank Deposit, Government Bond also the second most chosen investment avenues by the respondent who give priority for Moral satisfaction, it accounted 27.47% of the respondents. Real Estate/Property, Shares/Equities and life insurance are the chosen investment avenues by this group of respondents accordingly.

For those respondents who give priority for Religion, Bank Deposit and Real estate/property are the most preferred investment avenues. Bank deposit is the most preferred investment avenues for the respondent who considers social value (beliefs, culture) followed by Real estate and Government bond. Banking employees are perceived Life insurance is not a good investment for their social goals.

Table 4.33. Social factor and respondents' investment choice.

Social Factor	Investment Avenues										Total	
	Bank Deposit		Shares /Equities		government bond		life insurance		Real Estate /property			
	co unt	percent	co unt	percent	co unt	percent	co unt	percent	co unt	percent	cou nt	perce nt
moral satisfaction	87	47.80%	10	5.49%	50	27.47%	5	2.75%	30	16.48%	182	100%
religion	23	42.59%	7	12.96%	10	18.52%	3	5.56%	11	20.37%	54	100%
social value	54	39.42%	17	12.41%	21	15.33%	2	1.46%	43	31.39%	137	100%
Total	164	43.97%	34	9.12%	81	21.72%	10	2.68%	84	22.52%	373	100%

Source : SPSS result and own computation

To test whether bank employees' social factors consideration affects their choice of investment avenues, the study performed Chi - square test the result is presented in Table 4.34.

Table 4.34 Chi - Square Test Statistics between social factor and investment avenues		
	Social factor	Investment Avenues
Chi-Square	67.823 ^a	186.906 ^b
df	2	4
Asymp. Sig.	.000	.000
a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 124.3.		
b. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 74.6.		

Source : SPSS result

The Chi – Square result indicates that there is statistically significant relationship between social factor of Bank employees and choice of their investment avenues, as the Table reveals that the influence level of bank employees’ social factors on selecting of investment avenues is statistically significant at 1% significance level.

Conclusion: among social factors, moral satisfaction Religion and socials values and beliefs are found to be the major social factor that determines the banking employees’ investment avenues choice. The majority of banking employees gives priority for moral satisfaction when they consider investment avenues. The study also found that the influence level of social factor towards selecting a particular investment avenue is statistically significant.

4.8 The impact of Psychological factor on banking employees investment behavior

The study used different goals to study whether individual goals affect their choices of investment avenues or not, respondents are requested to chose their future goals from provided having a car, having own house, Creating own business, Attending Higher education and marriage alternatives

Table 4.35 presents the result of the survey data regarding the goals of respondents, 44% of the respondent who wants to have a car are chosen Real Estate /Property as their first investment avenues followed by Bank Deposit

Table 4.35. Psychological factors of the respondent and Investment Avenues

goal	Investment Avenues										Total	
	Bank Deposit		shares/equities		Government bond		life insurance		Real Estate /property			
	count	percent	count	percent	count	percent	count	percent	count	percent	count	percent
Having a car	7	28.00%	0	0.00%	6	24.00%	1	4.00%	11	44.00%	25	100.00%
Having own house	35	47.30%	11	14.86%	16	21.62%	2	2.70%	10	13.51%	74	100.00%
Creating own business	79	43.89%	15	8.33%	38	21.11%	4	2.22%	44	24.44%	180	100.00%
Attending higher education	32	46.38%	8	11.59%	11	15.94%	3	4.35%	15	21.74%	69	100.00%
marriage	8	42.11%	0	0.00%	8	42.11%	0	0.00%	3	15.79%	19	100.00%
total	161		34		79		10		83		367	

The majority of bank employees which are 49% of the total respondents set a goal to create their own business and Bank deposit is most attractive investment avenues by this goal group of respondent and followed by real estate /property. Those who want to attend a higher education invested in Bank deposit followed by Real estate. Bank deposit and Government bond are the most preferred investment avenues by the respondent who want to have their own house accordingly. Life insurance is considered as unattractive investment by respondents to achieve their goals.

To test the impact of the study psychological factors towards selecting investment avenues the study performed Chi-Square Test. The result presented in table

Table 4.36 Chie Square Test Statistics for psychological factor and Investment Avenues		
	what is your desire or goals	Investment Avenues
Chi-Square	227.319 ^a	186.906 ^b
df	4	4
Asymp. Sig.	.000	.000
a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 73.4.		
b. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 74.6.		

Source : SPSS result

Table 4.36 presents the Chie square test result. The result reveals that there is significant relationship between the individual desires or goals and investment avenues. The Chie – Square test result is (227.319) is more than tabulated value, significant at 1% significance level.

Conclusion: the study found that from psychological factors employees’ goals or desires is the determinant factor to select investment avenues. Most of the banking employees’ desire is to create their own business. Real estate and Bank deposit avenues are the attractive investment avenues for the employees those need to set up their own business. The study also found that the employees’ desire is significantly influence their choice of investment avenues.

4.8 Effect of Investment Objective, Risk and return and other factors on banking employees’ investment behavior

4.8.1 Investment objective,

The study grouped the investment objective of the respondents into four major group: income and appreciation, long-term growth, short term growth and growth and income, the result of the survey data presented in under Table 4.38.

Table 4.37. Investment objective of respondent and investment avenues.

investment Objective	Investment Avenues										Total	
	Bank Deposit		shares/equities		government bond		life insurance		Real Estate /property			
	count	percent	count	percent	count	percent	count	percent	count	percent	count	percent
income and appreciation	25	38.46%	7	10.77%	13	20.00%	2	3.08%	18	27.69%	65	100.00%
long term growth	57	51.82%	10	9.09%	25	22.73%	2	1.82%	16	14.55%	110	100.00%
short term growth	22	59.46%	2	5.41%	10	27.03%	0	0.00%	3	8.11%	37	100.00%
growth and income	60	37.27%	15	9.32%	33	20.50%	6	3.73%	47	29.19%	161	100.00%
Total	164	43.97%	34	9.12%	81	21.72%	10	2.68%	84	22.52%	373	100.00%

Source : SPSS result and own computation

The frequency Table 4.38 reveals that the majority of respondents had an investment objective of Growth and income which accounted to 43.2% of the respondent, and they preferred and invested in Bank Deposit, Real Estate/property, Government Bond, Shares /Equities and Life Insurance accordingly to achieve their objective. whereas long term Growth is the second most selected investment objective by respondents which accounted to 29.5 % of the total respondent and Bank Deposit and Government bond are the most preferred investment avenues by this group of respondent accordingly. Income and appreciation and Short term growth are the least selected investment objective accordingly which are shared 17.4 % and 9.9 % of the respondents respectively.

Table 4.38 Chi - Squer Test Statistics for Investment objective and Investment Avenues.		
	Investment Avenues	Investment objective
Chi-Square	186.906 ^a	94.721 ^b
df	4	3
Asymp. Sig.	.000	.000
a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 74.6.		
b. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 93.3.		

Source : SPSS result

Chi square test Table 4.38 indicates there is a significant relationship between investment objective and investment avenues. As the result revealed, the calculated Chi Square result, 186.906 is greater than tabulated result, and the relationship is significant at 1% significance level.

To study whether the choice of investment avenues vary with the investment objectives, Kruskal – Wallis test was applied, the result is presented under the following tables.

Table 4.39 Ranks Given to Different Investment Avenues by Employees of Different investment objective			
	investment objective	N	Mean Rank
Bank Deposit	income and appreciation	64	185.15
	long term growth	110	191.82
	short term growth	37	183.15
	growth and income	159	181.82
	Total	370	
Shares E/Equities	income and appreciation	64	175.37
	long term growth	110	185.85
	short term growth	37	220.55
	growth and income	161	163.55
	Total	372	
Government Bond	income and appreciation	63	177.48
	long term growth	110	191.84
	short term growth	37	199.20
	growth and income	160	181.13
	Total	370	
Real Estate/Property	income and appreciation	64	178.98
	long term growth	110	160.73
	short term growth	37	228.59
	growth and income	161	163.75
	Total	372	
Life Insurance	income and appreciation	63	187.98
	long term growth	110	180.59
	short term growth	37	203.11
	growth and income	160	183.83
	Total	370	

Source : SPSS result

Table 4.40 Kruskal Wallis Test Statistics[#] for income and Investment Avenues					
	Bank Deposit	Share /Equities	Government Bond	Real Eastet	Life Insurance
Chi-Square	.632	15.002*	10.725*	26.838*	11.395*
df	3	3	3	3	3
Asymp. Sig.	.889	.017	.031	.010	.042
Note [#] Grouping Variable: investment objective , * implies significant at 1% ** implies significant at 5%					

Source : SPSS result

The results Table 4.39 and 4.40 of the test show that respondent of different investment objective groups do vary significantly with respect to Government Bond, Shares /Equities, Real Estate/Property and Life insurance at 5 % significance level, but the result indicated that investment objective is not significantly vary with respect to Bank Deposit investment.

Employees with investment objective of income and appreciation more like to invest in Shares/ equities (Mean rank = 175) and they refrain from investing other investment avenues. Employees with investment objective of long term growth like to invest in Real estate (Mean = 160.73), while employees with objective of long term growth and income prefer investing in Real estate and share/Equities (Mean = 163.75, 163.55 respectively).

Conclusion: investment objective of the bank employees found as the major determinants for choice of investment avenues. The study result revealed that Real Estate and Shares are the most attractive investment for employees who have investment objective of long term growth and capital appreciation. The statistical output evidenced that there is statistically significant relationship between bank employees' investment objective and Real estate, Life insurance, Government Bond and Shares/equities avenues, but Bank deposit do not significantly vary with investment objective.

4.8.2 Factors considered in investment choice

To study Factors that are considered at the time of investment choice by banking employees, the study provided safety, high return, liquidity, Less risk and marketability choices for respondents to choose their preference factor during selecting specific investment avenues.

Table 4.41 Investment factors and investment choices of the respondent

Factors	Investment Avenues										Total	
	Bank Deposit		shares/equities		government bond		life insurance		Real Estate /property			
	count	percent	count	percent	count	percent	count	percent	count	percent	count	percent
safety	58	41.13%	14	9.93%	31	21.99%	3	2.13%	35	24.82%	141	100%
high return	38	41.76%	10	10.99%	20	21.98%	1	1.10%	22	24.18%	91	100%
liquidity	16	44.44%	2	5.56%	6	16.67%	2	5.56%	10	27.78%	36	100%
less risk	22	53.66%	2	4.88%	8	19.51%	4	9.76%	5	12.20%	41	100%
Marketability	30	47.62%	6	9.52%	16	25.40%	0	0.00%	11	17.46%	63	100%
total	164	44.09%	34	9.14%	81	21.77%	10	2.69%	83	22.31%	372	100%

Source : SPSS result and own computation

From the total respondent of the sample 37.8% consider safety during their choice of investment and most of them 41.1% prefer and invested in Bank deposit. 24.85% from those who consider safety preferred and invested in Real estate. Return is the other major determinant factor of banking employees choice of investment avenues, from the total respondent 33.33% are consider High return when they decide to invest , this group of respondent are invested Bank Deposit, Real Estate/property, Government Bond, Life Insurance and Share/Equities accordingly which shares 41.47%,24.18%,10.99%and 1.1% respectively. Similarly Bank deposit is the preferred investment avenues for the employees' who consider liquidity at the time of investment decision and followed by Real Estate and government bond. Marketability also the other factor that has been considered when investment is made by banking employees, which accounted 16.7% of the respondent looking for marketable investment avenues. The least selected factor is less risk, most

of the banking employees are looking to investment which gives them marketability high return and safety than less risk.

Table 4.42 indicate the statistical relationship between different factor with investment avenues, as the result shows there is no statistical significant relationship among marketability, liquidity, high return, less risk and safety with investment avenues.

Table 4.42. Chi - Squer Test Statistics for Investment objective and Investment Avenues.			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	22.561 ^a	20	.311
Likelihood Ratio	21.257	20	.382
Linear-by-Linear Association	1.598	1	.206
N of Valid Cases	373		
a. 12 cells (40.0%) have expected count less than 5. The minimum expected count is .03.			

Source : SPSS result

Conclusion: majority of the bank employees looking the safest investment when they pick a particular investment avenues followed by high return and marketability. The banking employees' choice of investment is independent of the investment factor:

4.8.3 Risk and return

To study risk and return preference of banking employees towards selected investment avenues in Ethiopia the study uses three risk and return pillars, high risk/high return, low risk/ low return and low risk / high return. The data and result is presented and analyzed in the following ahead.

The graph 4.1 reveal that the frequency of respondents towards preference of risk and return level, majority of the respondent (69.2%) preferred and invested which gives low risk /high return investment. The next majority (16.1%) respondent prefers and invested which gives low risk/low return. The investment avenue which gives high risk and high return are preferred only by 14.7 % of the sample respondents.



Graph 4.1 frequency of respondents for risk and return level preference

Table 4.43 presents the three different risk return level groups investment choices towards different investment avenues. The result reveals that 52.73% from respondent who prefer investment which gives high return/high risk invested in Bank Deposit, followed by Government Bond and Real estate which are shared 16.36% of the group respondent. Share /equities are preferred and invested by 14.55% of high return/high risk preference group, 6.67% of low risk and low return and 8.43 % of low risk/high return group of respondents

Table 4.43 indicates that Government Bond is the preferred and invested avenue by 16.36% of high risk/high return, 35% of low risk/low return, and of 20.48% high return low income of respondent group.

Table 4.43. Risk and Return level and Investment Avenues

	Investment Avenues										Total	
	bank and government bond		shares/equities		government bond and treasury bill		life insurance		Real Estate /property			
	count	percent	count	percent	count	percent	count	percent	count	percent	count	percent
high risk/high return	29	52.73%	8	14.55%	9	16.36%	0	0.00%	9	16.36%	55	100%
low risk/low return	23	38.33%	4	6.67%	21	35.00%	1	1.67%	11	18.33%	60	100%
low risk/high return	108	43.37%	21	8.43%	51	20.48%	7	2.81%	62	24.90%	249	100%
	161	43.63%	33	8.94%	81	21.95%	10	2.71%	84	22.76%	369	100%

Source : SPSS result and own computation

Life insurance is the least selected and invested avenues by all groups of risk and return level, high risk /high return groups are not invested in this investment avenues; only 1.67% and 2.81% of the respondent from low risk /low return and low risk/ high return groups of respondents are invested respectively.

Real estate /Property is the second most preferred and invested avenue next to Bank Deposit, 24.9% of the low risk/high return group is invested in Real estate, 18.33% and 16.36% are the proportion of low risk/low return and high risk/high return groups of respondents respectively.

The Chi square test result Table 4.44 reveals that there is significant relationship between level of risk and return and investment avenues. The calculated Chi – square result (375.184) is more than tabulated result, the relationship is significant at 1% significance level. Therefore the null hypothesis, there is no significant relationship between risk level and investment avenues is rejected and the alternative hypothesis, there is significant relationship between risk and return level and investment avenues is accepted.

Table 4.44 Chi - Squer Test Statistics for Investment objective and Investment Avenues.		
	level of risk and return	investment Avenues
Chi-Square	375.184 ^a	186.906 ^b
df	3	4
Asymp. Sig.	.000	.000
a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 92.3.		
b. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 74.6.		

Source : SPSS result

Table 4.45. Ranks Given to Different Investment Avenues by Employees of Different Risk and Return level			
	risk and return level	N	Mean Rank
Bank Deposit	high risk/high return	55	187.47
	low risk/low return	60	188.64
	low risk/high return	246	182.16
	Total	361	
Shares/equities	high risk/high return	55	156.15
	low risk/low return	60	164.80
	low risk/high return	248	180.64
	Total	363	
Government Bond	high risk/high return	55	172.73
	low risk/low return	59	185.09
	low risk/high return	247	181.86
	Total	361	
Real Estate/Property	high risk/high return	55	166.30
	low risk/low return	59	176.76
	low risk/high return	249	177.71
	Total	363	
Life Insurance	high risk/high return	55	189.22
	low risk/low return	59	176.74
	low risk/high return	247	180.19
	Total	361	

Source : SPSS result

Table 4.46 Kruskal Wallis Test Statistics[#] for Risk and return level and Investment Avenues					
	Bank Deposit	Shares/Equities	Government Bond	Real estate	Life insurance
Chi-Square	1.364	4.855*	10.485*	13.666*	.485
df	2	2	2	2	2
Asymp. Sig.	.506	.008	.005	.015	.785
Note [#] Grouping Variable: risk and return level, * implies significant at 1% **implies significant at 5%					

Source : SPSS result

To study whether risk and return level are do significantly vary with different investment avenues Kruskal - Wallis test was applied. Table 47 and 48 results, it is found that risk and return level are significantly vary with Government bond, Real estate and Shares/Equity types of investment avenues at 5% significance level, but there is no significant relation found between risk and return level with Bank Deposit and Life insurance

Conclusion: most of bank employees prefer an investment which gives low risk high return, therefore the bank employees investors are risk averse. Real estate and Bank Deposit avenues are the attractive investment avenues for the bank employees who prefer high return and low risk. The statistical result of the study reveal that risk and return level has significant influence on the decision of bank employees towards investment avenues.

4.8.4 Source of investment information of Ethiopian Banking Employees'

The source of investment information for Ethiopian banking employees is presented under the Fig 4.2, the survey result indicated that friends and families are the major source of investment information for Ethiopian banking employees. The figure reveals that 67.2% of sample respondents are get information about investment from their friends or families, while other media like news paper, internet, television and other information sources are shared only 32.8%

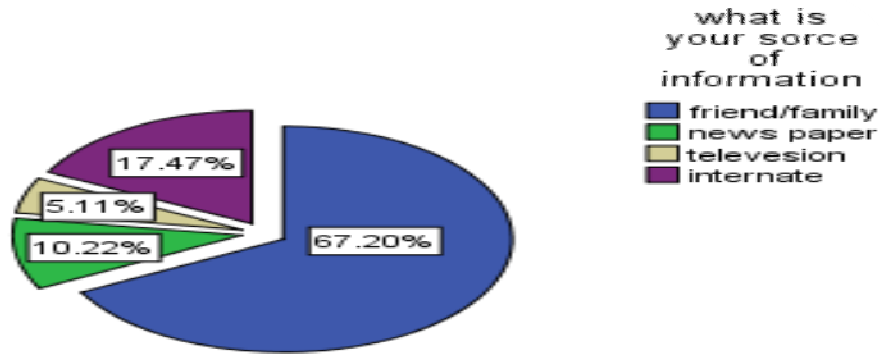


Fig 4.2 Source of investment information of respondents

Conclusion: friends and families are the major sources of information for Ethiopian baking employees investment decision, this implies that the availability of information in the market about different investment avenues are limited, however the bank employees are more stick to their friends and families than making decision on reliable and accurate information about specific investment.

4.9 Correlation Analysis

Correlation analysis is used in the study to find out the direction of the relationship of between variables that are statistical related each other. The correlation matrix is presented in the Appendix I.

Age and Investment avenues.

The correlation matrix (Appendix I) indicate that age and Bank deposit are not significantly related, but age and Shares/equities are negatively related, the coefficient is significant at 5%

significance level, age with Government bond is positively related and significant at 5%, age negatively related with Real estate and Life insurance, significant at 5%.

Gender and investment Avenues,

Gender is negatively related with investment Avenues, the correlation matrix table (Appendix I) reveal that the relationship is significant at 1%, where as it found as there is positive relation between Shares /equities and Gender and significant at 1%. There is not significant relation between gender and Government Bond, Real Estate and Life insurance.

Marital and Investment Avenues

Marital status of individual investor is the other demographic factor that affect investment choices of individual the Chie- square of the study indicated that there is significant relationship between marital status and investment avenues, correlation matrix (Appendix I,) result indicate that Martial status has negative relation with Government Bond, Real estate/Property and Shares/Equities, the relationships is significant at 5%, where as marital status and Life insurance is found as positively related and significant at 1%. The relationship between marital status and Bank deposit is statistical insignificant.

Family Size and Investment Avenues.

The study found that Family size and Bank deposit are not significantly related. The correlation Matrix table (Appendix I) reveals that Family size has a positive relationship with Shares/Equities, but negative relationship with Government Bond, Real Eastet and Life insurance, the relationships are significant at 5%

Employment type and investment avenues.

As the Two Sample T – test (table35) reveled that there is significant relationship between types of employment (public or privet bank) and investment avenues. The correlation matrix table

(Appendix) shows there is significantly positively related with Shares /Equities and Bank deposit at 1% and 5% significance level respectively.

Income and Investment Avenues

The study found that income is the major determinant factor that affect banking employees investment choice, as the Chi – square result reveals (table 28 & 30) it is found there is significant relationship between income and investment avenues, the correlation matrix also provide the types of relationship between income and investment avenues, as it is observed Appendix there is no significant relationship found between Income and Bank Deposit. Income is significantly negatively related with share/equities and Real estate at 5% level, and significantly positively related with Government Bond and Life Insurance which is significant at 5% and 1% significance level respectively.

Work Experience and investment avenues

The result of correlation analysis revealed that Experience is found significantly positively related with Life insurance only at 1% significance level. But experience has not significant relationship with other investment avenues.

Risk and Return and Investment Avenues

The correlation matrix table (Appendix I) shows the significant relationship of Risk and return with investment avenues, except that of Bank Deposit. There is significantly negatively relationship of risk and return with Government Bond, Real estate and Life insurance at 5 % significance level, but statistically positive relation has been found between risk and return level and shares/investment investment avenues.

4.10 Preference and ranking of investment avenues by banking employees

The following table 4.48 presents the Ethiopian banking employees' preference towards selected investment avenues. The rank is given based on the covariance score of each investment avenues, based on the mean and standard deviation of the survey result covariance has been calculated.

Table 4.48. Rank given by Ethiopian Banking Employees towards selected investment Avenues.

Descriptive Statistics						Covariance (CV)	Rank
Investment Avenues	N	Minimum	Maximum	Mean	Std. Deviation		
Bank Deposit	373	1	5	2.85	1.242	43.6	3 rd
Shares /Equities	373	1	5	2.38	1.098	46.13	2 nd
Government Bond	373	1	5	3.54	1.150	32.48	5 th
Real Estate	373	1	5	2.51	1.430	56.97	1 st
Life insurance	373	1	5	3.60	1.193	33.14	4 th

Source : SPSS result and own computation

The above table indicated that due to its marketability and generating high return Ethiopian banking sector employees ranked Real Estate/Property as their first preference of investment followed by Shares/equities. Bank deposit ranked as the third preferred investment avenues where as Life insurance and Government takes the remain ranks accordingly.

4.11 Perception analysis of banking employees' towards selected investment avenues.

1. **Safety of investment:** An investment can be termed as a safe investment when it gives you good returns with relatively little or no risk at all. Though there are lots of investment

options, but every investment cannot be regarded as a safe investment. There are certain characteristics by which individual can make out that a particular investment is a safe investment or not.

Table 4.49 reveal that the bank employees are strongly agreed that Bank Deposit is the safest type of investment Avenue in Ethiopia CV(20.15), where as the respondents agreed that government Bond and Life insurance are the safe investment with CV of 26.09 and 26.09 respectively. However their opinion is neutral for shares equities which have CV of 30.98 and the banking employees are perceived Real estate is relatively unsafe investment than other avenues which score the highest CV, 45.55.

2. **Regular and steady income:** funds are invested to earn regular and steady income, the regularity and steadiness in income strongly influences the investor choice of an investment therefore, to invest more in avenues which generate regular and steady income

Table 4.49 reveals that the bank employees agreed that Bank Deposit and Shares /equities are the avenues offering regular and steady income with coefficient of Variation 23.97 and 25.32 respectively, however their opinion is neutral towards Real estate/Property (CV = 36.05), but Government Bond and Life insurance are perceived as there is no regular and steady income generated which resulted highest coefficient of variation, CV= 43.01 and 44.13 respectively. The returns on Bank Deposit and Share/Equities are definite and regular. As a result, they earn greater favorableness among bank employees. On the other hand, the return on Government Bond and Life insurance is Volatile and indeterminable. As a result bank employees' perception of regular and steady income becomes fragile in their case.

3. **Generating high return :** investor always wants to invest which yields a high return, as the modern finance theory tells that investors finds investment which afford low risk and high return. Therefore the perception about high return towards different investment avenues can be a determinant to choose a particular investment avenue.

Table 4.49 reveals that the result of banking employees' perception about high return towards selected investment avenues, as the result show that share /Equities and Real estate are perceived as the investment avenues which are generated a high return with scoring a minimum CV of 24.47 and 27.04 respectively. However, bank employees are strongly disagree that there is high return in Bank deposit (CV= 66.1), and Life insurance (CV = 39.16). Thus bank employees who need high return wants to invest in shares and Real estate.

4. **Premature withdrawal:** investors often need money for unforeseen requirements. Obviously, they expect a facility of premature withdrawals of money either partially or fully from investment schemes. The provision of the money either influences their investment decision. Investors are encouraged to put more money in those avenues which offer this facility.

The table 4.49 indicates that bank employees strongly agreed that it is possible to withdraw the principal whenever they want from Bank deposit avenues which score CV of 22.34, however they disagreed with the remain avenues which are Shares/Equities, Government Bond, Real Estate and Life Insurance (CV = 41.01,40.26,46.08 and 40.33respectively). Thus, banking employees' perceived money invested in Government Bond, Real Estate, Shares and life insurance is not possible to withdraw before maturity.

5. **Risk:** variation in expected returns is inherent in most of the investments. Therefore, the inventors always wish the intensity of such variation (the risk) to be minimum and bearable while investing their funds. Probability that an actual return on an investment will be lower than the investor's expectations. All investments have some level of risk associated it due to the unpredictability of the market's direction.

Table 4.49 reveal that the bank employees strongly find the Bank deposit and Government Bond are relatively less risky investment (Mean = 1.5 and 2.5 reactively), their opinion of risk in case of Life Insurance is neutral. However, Shares /equities and Real estate are perceived as risky investment (mean = 3.99 and 3.56 respectively) and scored coefficient of variation also minimum 30.9 and 35.1 respectively.

6. **Timing of Investment:** the flexibility in timings often attracts investors. They would dislike restriction on the entry into and exit from investment process. Hence, the option of investment should be open to them depending up on the availability of resource. The resource availability with investors thus has to match with the investment schemes of the institutions.

It may be clear from the Table 4.49 the banking employees strongly agree that Bank Deposit and Life insurance are enjoy flexibility in timing of investment (mean Value = 4.5 and 4 respectively). The respondent opinion towards timing of investment is neutral for Real estate, However, the bank employees disagree with the opinion of the timing of investment is good for Shares a/Equities and Government Bond (CV= 40.11 and 44.05 respectively).

7. **Achieving future objective:.** Individuals might have a long term or short term objective that they want to achieve, therefore their desire towards some specific goods or services affect their choices of investment.

It may be inferred from Table 4.49 that the banking employees agree that shares /equities and Real estate /property are the most appropriate avenues to achieve their future goals (Mean =4) with CV of 25.23 for both avenues, However, the respondent opinion towards Government Bond and Bank deposit is not good investment avenues to achieve future desires (Mean = 2 and 2.5 respectively). The respondents' opinion towards Life insurance is neutral.

8. **Capital Appreciation:** Capital appreciation is profit that results from an increase in the market price of the investment itself. Investors looking for a big score in the market are usually chasing capital appreciation. It has the potential for higher returns, but it also comes with higher risks.

Table 52 Mean, Standard Deviation(SD) and coefficient of Variation(CV)															
Percept ions*	bank Deposit			Shares/Equities			Real Estate/Property			Government Bond			Life insurance		
	Mean	SD	CV	Mean	SD	CV	Mean	SD	CV	Mean	SD	CV	Mean	SD	CV
p-1	4.45	.896	20.15	3.45	1.069	30.98	2.54	1.157	45.55	3.98	1.039	26.09	3.98	1.039	26.09
p-2	4.17	1.001	23.97	3.65	1.013	25.32	3.30	1.190	36.05	2.75	1.183	43.01	2.70	1.191	44.13
p-3	1.75	1.157	66.1	3.74	.914	24.47	3.95	1.069	27.04	2.86	1.019	35.67	2.83	1.107	39.16
p-4	4.46	.996	22.34	2.98	1.224	41.01	3.04	1.225	40.26	3.10	1.430	46.08	2.66	1.073	40.33
p-5	1.5	1.019	62.77	3.99	1.233	30.9	3.46	1.249	35.1	2.26	1.208	53.54	2.62	1.223	46.63
p-6	4.5	1.043	24.16	2.80	1.121	40.11	3.00	1.233	41.10	2.76	1.214	44.05	4.0	1.985	55.86
p-7	2.5	1.266	35.96	3.80	.959	25.23	3.80	.959	25.23	2.0	1.128	40.30	3.09	1.092	35.30
p-8	3.18	1.301	40.86	3.95	.948	23.98	4.24	.946	22.31	3.12	1.111	35.6	2.73	1.092	40.05
p-9	4.5	1.455	32.33	2.64	1.110	30.48	4.67	1.320	35.91	3.49	1.186	34.01	3.09	1.193	38.55
p-10	4.34	1.049	24.19	3.50	1.164	33.24	3.30	1.208	36.61	3.01	1.245	41.39	3.09	1.300	42.13
p-11	3.32	1.514	45.67	3.64	1.177	32.33	3.87	1.163	30.04	3.18	1.264	39.79	2.53	1.109	43.86
p-12	3.64	1.160	31.85	3.73	1.058	28.35	3.95	1.075	27.22	3.32	1.236	37.25	3.34	1.213	36.34
Note: computation is passed on survey data presented in Annex * perceptions 1 to 12 listed in Appendix III questioner part III															

Note: computation is passed on survey data presented in Annex * perceptions 1 to 12 listed in Appendix III questionnaire part III

Source: SPSS result and own computation

Table 4.49 reveals that banking employees strongly agree that real Estate /Property and shares/Equities are the avenues that have the potential for capital appreciation their perception is stronger (CV = 22.31 and 23.98 respectively) where as their opinion is neutral with regard to Government Bond (CV= 35.6). The perception of capital appreciation towards Bank Deposit and Life insurance is very weak (disagree) (CV=40.86 and 40.05 respectively).

- 9 Affordability:** the initial investment limit prescribed by the offering institution should be affordable. The investors would prefer the avenues for which they find the amount required to be invested reasonable. Therefore, there is a need to ascertain whether investor perceive the minimum amount required to be invested as reasonable in the case of selected avenues.

Table 4.49 reveals that bank employees strongly agree that the minimum investment limit in Bank Deposit, Government bond evidenced by the minimum CV (32.3 and 28.2 respectively). However, their opinion in case of Life insurance is neutral, but they highly perceived that investment in Real Estate /Property and shares/Equities is expensive investments and this supported with highest CV (42.04) and (47.6) respectively.

- 10 Information accessibility:** source such as financial statements, news papers, electronic media friends or families, internet and other investment information in the country offer relevant information for evaluating the suitability of investment schemes. Investors tend to invest in those avenues for which they get adequate and timely information.

It may be inferred from the table 4.49 that the bank employees have access to information in all avenues except that of Life insurance avenue among them perception is relatively stronger in the case of Bank Deposit (CV= 24.19) and in case of shares/equities. It can be inferred that the investors could not have an access to adequate information on Life insurance (CV=42.13)

- 11 Marketability:** investments should be capable of being converted in to cash within a short notice without much loss. An investment that can be easily marketed without pecuniary loss to the investors would appear attractive. These qualities of an investment positively influence their investment decisions.

Table 4.49 indicates that the bank employees strongly agreed that all investment avenues are not marketable, their disagreement is relatively stronger in case of Bank Deposit and Life Insurance which supported by higher CV(45.67 and 4.86 respectively).

12 Social consideration: when investors decided to invest in a particular investment avenues they consider social factors like religion, moral satisfaction beliefs, values and the like. Investor would not like to invest the investment which violates the social beliefs of the society; they consider investment which encourages the society beliefs value and culture. Therefore social factor have a direct influence on individual investment decisions./

Table 4.49 reveals that banking employees perceives all investment avenues are satisfies their social factor except Life insurance., their agreement is relatively stronger in Real Estate and Shares/Equities avenues this supported with the value of Coefficient of Variation ($CV = 27.22$ and 28.33 respectively). Their opinion in case of Life insurance is Neutral.

Chapter five

Summary of Findings, Conclusions and Recommendations.

This chapter gives a brief summary of findings, conclusions, provides recommendations and outlines suggested areas for further research. The chapter is divided into four sections. The first section deals with the summary of findings, the second section provides the conclusion while the third and last sections provide recommendations for the government, for the investment provider institution and suggested areas for further study respectively.

5.1 Summary of findings

The findings are discussed in accordance with the research objectives of the study, as follows:

The study revealed that Bank and Credit and Saving association are the major areas which are preferred by bank employees to save their income, this is because since, they are working in the bank they have full information and access to the bank facilities, the study found that also most public bank employees are saved their money in Saving and credit association because, credit associations gives a credit without looking to a collateral as the result the banking employees are encouraged to take money and set up their own business.

Bank Deposit , Real Estate/ property, Shares/Equities, Government Bond and Life insurances are the major investment avenues that are currently used by Ethiopian bank employees, thus according to the survey result Real Estate is the most preferred and ranked in the first investment avenues followed by Shares /Equities, This implies that Ethiopian Bank employees are more risk taker and high return seeker, however due to the affordability, and liquidity majority of the bank employees are using Bank Deposit as saving and investment avenues.

The other objective of the study was to identify the major demographic factors that influence the Ethiopian bank employees' investment behavior towards choosing of investment avenues, the study examined that demographic factor like age, gender, marital status, family size, income

level and work experience has significant impact on the banking employees' decision towards selecting a particular investment avenue.

Age

The study found that age is the major determinant factor of banking employees to select a particular investment avenue, a young bank employees' age between 26 – 35 years and 36 -45 years are comfortable with shares /equities type of investment, this implies that young bank employees are more risk taker. Life insurance is widely selected by employees' more than age of 55 years; this implies that when employees' age increases they are more concerned with safety and guaranty for their life than taking high risk and return. Real estate is the most preferred investment avenues for those 45 – 55 years old employees, this indicated that when employees age increased they give more priority for family responsibility, thus, they mostly concerned on investment which fulfill their family priority like Home, car and the like.

The empirical result of the study revealed that age do not significantly vary with Bank deposit investment, but Age significantly vary with Real Estate, Shares/Equities Government Bond and Life insurance types of investment, Additionally the research concluded that Age has Significantly and positively vary with Government bond while it has significantly negatively relation with Shares, Real Estate and Life insurance.

Gender

The study found as Gender and marital status are the other demographic factor that influences Ethiopian bank employees' investment decision. As the data analysis of the study reveals that females are attractive by Shares /Equities than males, this implies females needs more stable and regular income than males. Whereas Real Estate / property is more attractive by males than females, this may indicate that males are relatively more risk taker than females because due to its uncertainty price and related cost Real estate or property is the most risky investment in the country.

The study found that gender is significantly varied with Bank Deposit and Shares/equities types of investment. The study empirically evidenced that gender has negatively related with Bank Deposit but has a positive relationship with Shares/equities.

Family size

On the other hand, the study found that the bank employees who have more family size like to invest in Life insurance; this implies that employees who have more family size are concerned with investment which assures their family safety. Employees with relatively small family size that is three and four family member attracted by Shares and Real estate, this implies that employees with small family member have more money to invest and consider long term growth. The study statistically evidenced that family size do significantly vary with all investment avenues except that of Bank deposit.

Income

Findings from the study indicated that Income level of employees is important factor to alternating investment avenues. Employees who have more income invest their money in the investment which requires more funds, most of high salary employees are invested and preferred to invest in Share/Equities and Real estate accordingly, this implies that the higher income employees' are attractive by the investment avenues which require more fund. Employees with less monthly income attracted by Government bond and Bank Deposit, this indicated that Bank Deposit and Government Bond require minimum funds to invest. The study also evidenced the existence of significant relationship between income level of employees' and Shares, Government Bond, Real Estate and Life insurance but not with Bank Deposit.

Psychological factors: Desire or Goals

The other major finding of the study is the dependability of choice of investment avenues on employees' psychological factors. The study used employees goals or desire to measure the influence level of physiological factor on their choice of investment avenues, as the result

revealed that the majority of the banking employees are desired to create their own business, as the result, this desire directed them to invest Bank Deposit and Real Estate investment avenues. This indicates that Bank deposit and Real estate investment avenues are suitable and appropriate for setting up own business in the country.

The study statistically evidenced that the influence level of psychological factor on choice of employees' investment avenues. Therefore, from psychological factors the study found that desires and goals of banking employees strongly affect their investment behaviors'.

Social Factors: moral satisfaction, Religion and social values

On the other hand of the study, moral satisfactions, religion and social values like; culture and beliefs, are found as the social factors that significantly affect banking employees' preference of investment towards different investment avenues. The majority of banking (48.8%) employees gave priority for moral satisfaction when they chose investment avenues, and they invest and preferred to invest in Bank Deposit and Government bond. This implies that Government bond (GERD) is perceived by the banking employees as a best investment to carry out their social responsibility, the study revealed that Real estate is the most selected investment avenues by employees who consider social values. The data analysis of the study indicated that the influence level of social factor on selection of investment is statistically significant.

Investment objective

The Investment objective of the majority bank employees is long term growth and income. Bank employees believe that Bank Deposit and Real Estate and Government Bond are the most suitable avenues to achieve their investment objective, this reveals that Bank Deposit, Real estate and Government bonds are the most appropriate investment for long term growth and income. Share/equities investment is preferred for income and capital appreciation. Investment objective of the banking employees found as the major determinant factors towards selecting investment avenues.

The impact of investment objective on choice of investment avenues found as statistically significant for Share/equities, Real Estate, Government Bond and Life insurance but not for Bank deposit. Safety is the most considered investment factor followed by liquidity and marketability of the investment avenues by banking employees. The study found that safety of the investment, marketability, liquidity are not significantly affect their investment decision, this implies that all investment avenues are perceived by bank employees are safe and due to the absence of secondary market in the country all investment avenues except Bank deposit perceived as non liquidity and non tradable.

Risk and return

Most of bank employees prefer an investment which gives low risk high return,. Real estate and Bank Deposit avenues are found as the attractive investment avenues for the bank employees who prefer high return and low risk, hence, Bank deposit is the safest and Real estate is the investment which generates high return.

The statistical result of the study reveal that risk and return level has significant influence on the decision of bank employees towards investment avenues. The study found that risk end return significantly positively related to Shares /equities and significantly positively related with Government Bond, Real estate and Life insurance.

Source of investment information

The study revealed that Friends and families are the major sources of investment sources for banking employees of the country; this implies limited and inaccessibility of investment information in the public.

Behavioral deference between public and private bank employees

The study Documents that all Demographic, Social and psychological factors are significantly affects both public and private bank employees' behavior towards investment avenues. The study

also reveals that the two group of employees has significantly different perceptions towards Bank Deposit and Shares or Equities, this implies that most of private bank employees are share holders of their own bank therefore they have relatively better understanding and information about shares /Equities types of investment, also the private bank employees has perceives that shares /equities are the most attractive investment than public bank employees.

Perception towards selected Investment Avenues

The study identified affordability, marketability, accessibility, safety, capital appreciation, risk, and timing of investment, future objective, regular and steady income, high return, premature withdrawal and social satisfaction as the key view and perception of banking employees towards available investment avenues in the country.

Bank Deposit

The covariance analysis of the study indicated that Bank deposit is perceived as most affordable, widely accessed information and less risk, high premature withdrawal facility and safest investment avenues in the country than other investment avenues.

Shares /Equity

Shares/equity is perceived by bank employees as an investment which generates high return with high risk, capital appreciation, to achieve future objective. Employees also perceived that information about Shares/Equities widely accessible and available in the public next to bank deposit. Ethiopian Bank employees' perceived shares equities are expensive and risky investment avenues.

Government Bond

Government bond is current phenomenon of investment in Ethiopia; due to the construction of Grand Ethiopian Renaissance Dam (GERD) the government extensively provided one type

affordable Government bond. The bank employees perception towards this bond is most affordable, non marketable (due to the absence of capital market), less risky, wide accessibility and availability of information and a better investment to carry out social responsibility. In other side government bond is perceived as less return thus not used to achieve future objective.

Real Estate/ Property

Real estate is perceived by banking employees as the most risky and expensive investment followed by shares/equities than other selected investment avenues. It perceived as a good investment for capital appreciation, relatively marketable, generate a high income, better investment to achieve personal goals or desire.

Life insurance

Due to its newness and limited availability of information in the public the perception of bank employees towards Life insurance is neutral, but some of the bank employees are perceived life insurance as the safest and good for their social satisfaction.

5.2 Conclusions

The purpose of the study was to examine the investment behavior of bank employees towards financial and no financial investments and to see behavioral pattern of public and private Ethiopian bank employees, to identify the major saving and investment avenues currently used by the banking employees' and to examine factors that affect Ethiopian banking employees investment behavior.

The discussions, analysis and findings of the study indicates that demographic, Psychological, social factors are the major determinants of Ethiopian banking employees' investment behavior. Age, gender, family size, marital status, income level and experience of Ethiopian banking employees are the major demographic factors that significantly affect Ethiopian banking employees' investment behavior. Future goals, culture, religion, moral satisfaction are the other

psychological and social factors that determined Ethiopian banking employees' investment behavior.

Perception towards bank deposit it is most affordable, low return, safest, regular income, highly liquid, non marketable. Real estate and shares are the most risky, high return and relatively marketable investment avenues in the country. Government Bond and Life insurance are the investment avenues which are perceived the safest and good avenues for social satisfaction.

5.3 Recommendations

This part of study is intended to forward possible recommendations for different stakeholders of investment avenues mainly for the government and institutions that provide investment instruments, finally the recommendation part of the study concluded by suggestions for researchers

To the government..

Ethiopia is the most populous country without capital market in the world, establishing a secondary market makes and maintain smooth flow of investment information. Having stock market enables the investors to choose investment avenues based on the information and availability of fund. Secondary markets also maintain and improve marketability of investment avenues, therefore Ethiopian government should work towards establishing efficient secondary market.

Financial literacy among people determines the choice and perception of investors towards available investment avenues though government should have taken some actions towards creating financial literacy among people through using extensive awareness creation. Government also should have strength development of financial sector in order to provide wide accessibility of financial services which increase the saving habit of the society, thus if saving is increased or accumulated it will available to investments

To the investment institutions

Financial brokers play an tremendous role in creating and encouraging individual investors to invest in particular investment avenues, thus investment institutions specially those share companies and insurance companies has to move towards attracting and establishing investment brokers in the country, this also needs government involvement.

Share companies should make their counter sale is more accessible and suitable in order to improve the perception of investors towards marketability of investment instrument.

More specifically, the institution has considered the following suggestions:

- Investment procedures must be clear and simple to attract more investors.
- Financial Institutions must organize some “financial literacy campaign” as many bank employees still unaware about the marketable and nonmarketable securities.
- Financial Institutions have to provide better facilities to the investors as many bank employees are not satisfied with their investments in marketable and non- marketable securities.
- The financial institutions should enhance the quality of service and more personalized service should be given to investors to build trust and long run relationship.
- The financial institutions and companies must also provide more value added services to investors.

5.4 Suggestion for further research

This study has been conducted in the intent of examining determinant factor of banking employees toward selected few investment avenues only, there is wide untouched areas which needs further study like, perception of other individual investors, risk taking capacity of

individual investors, relationship between risk taking capacity of individual and their demographic variables, factors affect individual investment decision as whole.

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Appendix I - Correlation Matrix

Correlations							
independent factor			Bank Deposit	Shares /Equities	Government Bond	Real Estate	Life insurance
gender	Pearson Correlation	1	-.460**	.408**	-.463	-.539	-.608*
	Sig. (2-tailed)		.002	.000	.225	.458	.038
	N	373	370	372	370	372	370
age	Pearson Correlation	1	.039	-.542**	.440**	-.448*	.537**
	Sig. (2-tailed)		.454	.006	.002	.007	.008
	N	373	370	372	370	372	370
marital	Pearson Correlation	1	.024	-.524*	-.405*	-.505*	.483**
	Sig. (2-tailed)		.646	.016	.025	.043	.001
	N	373	370	372	370	372	370
Family size	Pearson Correlation	1	-.033	.396**	-.503*	.477**	-.434*
	Sig. (2-tailed)		.531	.022	.049	.040	.018
	N	370	367	369	367	369	367
Employment type	Pearson Correlation	1	.532*	-.476**	.472	-.385	.392
	Sig. (2-tailed)		.011	.001	.169	.101	.078
	N	373	370	372	370	372	370
Income	Pearson Correlation	1	.045	-.475*	.469*	-.471*	.543**
	Sig. (2-tailed)		.392	.047	.018	.017	.006
	N	373	370	372	370	372	370
Experience	Pearson Correlation	1	.027	-.281	.383	.408	.551**
	Sig. (2-tailed)		.606	.118	.112	.872	.004
	N	373	370	372	370	372	370
Lavel of Saving	Pearson Correlation	1	-.056	.032	.044	-.058	-.081
	Sig. (2-tailed)		.286	.533	.401	.268	.120
	N	372	369	371	369	371	369
Risk and Return	Pearson Correlation	1	.021	.087	-.401	-.460	-.433
	Sig. (2-tailed)		.682	.097	.007	.006	.035
	N	369	366	368	366	368	366
**. Correlation is significant at the 0.01 level (2-tailed).							
* Correlation is significant at the 0.05 level (2-tailed).							

Appendix II - Respondents perception to different investment avenues

Investors Ratings on Perception for Investments																													
Investor perception	Bank Deposit					shares /equities					Real Estate/Properly					Government Bond					Life Insurance								
	1	2	3	4	5	Total	1	2	3	4	5	total	1	2	3	4	5	Total	1	2	3	4	5	Total	1	2	3	4	
p-1	10	5	28	95	234	372	18	54	100	142	58	372	19	54	98	110	91	372	10	18	90	105	150	373	11	29	122	124	
	7	22	51	111	181	372	9	44	92	150	77	372	30	64	110	98	69	371	17	70	112	80	93	372	84	59	139	65	
p-2	55	110	113	62	32	372	3	32	103	156	78	372	10	28	77	111	146	372	26	121	129	72	24	372	58	63	164	59	
p-3	10	16	30	53	263	372	41	100	111	62	57	371	43	83	118	69	58	371	41	103	94	52	80	370	64	86	154	48	
p-4	237	78	29	16	12	372	50	87	96	93	46	372	46	69	92	108	57	372	125	108	80	31	26	370	79	101	109	47	
p-5	13	18	30	88	224	373	15	47	86	129	93	370	43	99	99	77	54	372	66	96	104	70	34	370	32	49	106	79	
p-6	25	69	72	99	107	372	5	30	95	146	96	372	12	30	81	103	146	372	48	103	131	56	34	372	31	69	151	78	
P - 7	44	83	76	100	68	372	6	21	77	149	119	372	9	8	54	114	187	372	32	107	123	71	38	371	53	105	124	68	
P - 8	78	58	38	121	78	373	15	47	86	129	93	370	23	69	55	80	142	369	28	45	98	114	83	368	45	68	111	103	
P - 9	15	16	25	90	227	373	25	52	84	133	78	372	24	86	89	99	73	371	48	91	94	88	51	372	58	59	114	75	
P - 10	71	51	59	70	120	371	24	42	78	128	100	372	21	30	62	122	137	372	36	87	100	75	75	373	86	83	139	48	
P - 11	19	36	118	85	114	372	14	28	103	126	101	372	10	25	89	97	151	372	40	49	110	99	74	372	38	42	125	92	
P - 12																													
Note: * 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree and 1 = Strongly Disagree, ** Perceptions 1 to 12																													

Appendix III - Survey questioner



Dear respondent,

I am a final year student currently pursuing my master of Accounting and Finance (MSc) at ADDIS ABABA UNIVERSITY. I am conducting a research study on “Determinants of investment behavior of banking employees towards selected investment avenues” in Ethiopia. The finding of this research helps to understand the banking employees’ behaviors towards different investment avenues currently available in Ethiopia. This research (project) is taken as a partial requirement for the completion of my MSc degree.

I kindly seek your kind assistance in completing the attached (below) questionnaire which would take approximately 15 minutes of your valuable time. Your responses will be treated as **“strictly confidential”**. If you are interested to get final thesis of the research please do not hesitate to put your email at the end of the questioner.

Note: - Kindly tick (☐) box you feel appropriate for your feedback

Thank you
!!!!!!!!!!!!

Part one

Personnel profile

1. Gender

Male ☐ female ☐

2. Age

Below 25 years ☐ 26 – 35 years ☐ 36 – 45 years ☐
46 – 55 years ☐ Above 55 years ☐

3. Marital status

Unmarried married

4. Number of family member

Two (2) Three (3) Four (4) Five (5)
More than five (5<)

5. You are an employee of

Public /government bank private bank

6. Your monthly income is in the range of:

Below 2,000.00 birr		2,001.00 birr – 4,000.00 birr	
4,001.00Birr - 8,000.00 Birr		8,000.00Birr- 15,000.00 Birr	
15,001.00Birr – 20,000.00 Birr		Above 20,001.00Birr	

7. What is your experience in banking sector

<5 years 5 – 10 years 10- 15 years 15yaers and above

8. What is your desire or goal in the coming five or more years?

Having a car Having own house Creating own business
Attending higher education (Msc./MA/MBA or PHD) Marriage
Other (please specify)

Part two

Individual investment information

9. What is the percentage of savings from your total income?

1- 10% 10 - 15 % 15 – 20% 20 – 25% 25 %<

10.

do you save your money? Where

Bank

Saving and credit association

In traditional saving scheme (equb, edir)

Other /please specify

11. Where do you invest your savings?

Bank Deposit

Fixed Deposit

Shares

Real Estate

Government bond

Others (Please Mention).....

12. What are the factors to which you give priority when you invest

Safety

High Return

Liquidity

Less Risk

Marketability

13. You invest in the investment avenue /option which give:

High Risk / High Return

Low Risk /Low return

Low Risk/ High Return

14. What social factors do you consider when you decide to invest

Moral satisfaction

Religion

social value (culture, beliefs)

Other (please specify

15. What is your investment objective?

Income and appreciation

long term growth

Short term growth

Growth and income

Other (please specify)

16. What is your source of investment information?

Friend/family ☐ News paper ☐ Televisions ☐ Internet ☐

Other (please specify)

17. Which investment avenues do you know in Ethiopia? (tick on every investment avenues that you know)

Shares /equities

☐

Real estate/ property

☐

Government bond and Treasury bill

☐

Bank deposits

☐

Life insurance

☐

Other (please specify)

18 Please rank your preference of investment avenues/options as

1 = Best(Excellent) 2 = V.good 3 = good 4 = poor 5 = Worst

S.No	Investment avenues	Rank
1	Bank deposit	
2	Shares /equities	
3	Government bonds/treasury bills	
4	Real estate /property	
5	Life insurance	

Part three

Investor perceptions, The following table consists 12 different perceptions about investment avenues, your are kindly requested to put (✓) sign for your agreeableness rate as 5 = **Strongly agree**, 4 = **Agree** 3 = **Neutral** 2 = **Disagree** 1 = **Strongly disagree** of every statements for each listed investment avenues/options

S. No	Perceptions	Avenues of investment					Bank deposit					Shares / equities					Real estate / property (land, building, car etc					Government bond / Treasury bill					Life insurance				
							5	4	3	2	1	5	4	3	2	1	5	4	3	2	1	5	4	3	2	1	5	4	3	2	1
20	Making investment is highly safe (no possibility of loosing principal)																														
21	There is continuous and periodic returns are there.																														
22	The returns generated from the investments are high. (high returns)																														
23	It is possible to get back the principal of investment whenever I want.																														
24	Highly risky investment																														
25	It is possible to invest at any time.																														
26	It is a good investment avenue to achieve my future objectives																														
27	It is a good investment avenue for capital appreciation (growth)																														
28	It requires reasonable amount to invest																														
29	The investment information is widely available in the public and easily accessible																														
30	It is highly marketability (possibility of transferring to other by selling or as collateral)																														
31	It is a good investment option for moral satisfaction, social beliefs and culture, Religion																														

