



## Financial Literacy, Economics Factors and Investing Decisions: A Study of Individual Investors in Iran

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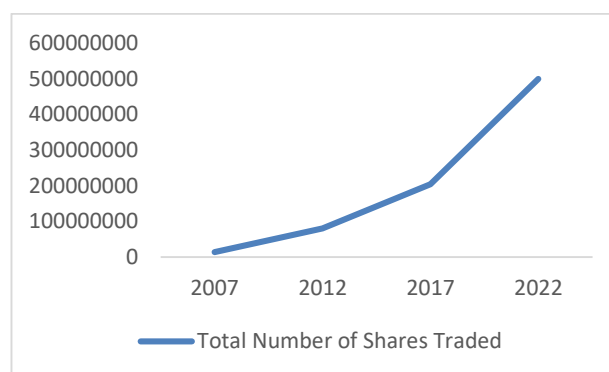
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ARTICLE INFO	ABSTRACT
<p><i>Received: 8 October 2022</i></p> <p><i>Reviewed: 17 November 2022</i></p> <p><i>Revised: 12 January 2023</i></p> <p><i>Accepted: 8 February 2023</i></p>	<p><b>Purpose:</b> This study sought to investigate the relationship between financial literacy and investment decisions in the Iranian stock exchange and investigated the financial literacy of investors in the Iranian stock market.</p> <p><b>Methodology:</b> To attain the purposes of the study, an inquiry was created containing two components related to investment decisions, including financial literacy and economic factors. The inquiry was delivered to a sample of 85 people. Descriptive data were used to expound on study samples in the way that frequency, mean, and standard deviation. In addition, of highest quality-sample t-test and a natural linear regression reasoning were used to test the study theory at a consequence level of 0.05.</p> <p><b>Findings:</b> The main findings of this study include (I) the impact of financial knowledge and literacy on investment decisions and (II) the impact of economic factors on investment decisions. The focus was on investment and savings-related decisions and preferences.</p> <p><b>Originality/Value:</b> Banks, financial institutions, and investors can benefit from understanding the impact of financial literacy, behavioral, and individual factors, thus inviting investors to other financial options. The study provided many recommendations, the most important of which, is by communicating financial factors and knowledge of finance to financial literacy, allowing decision-makers to anticipate economic events and plan for the future.</p>
<p><b>Keywords:</b> Economics Factors, Financial Literacy, Investment Decisions</p>	

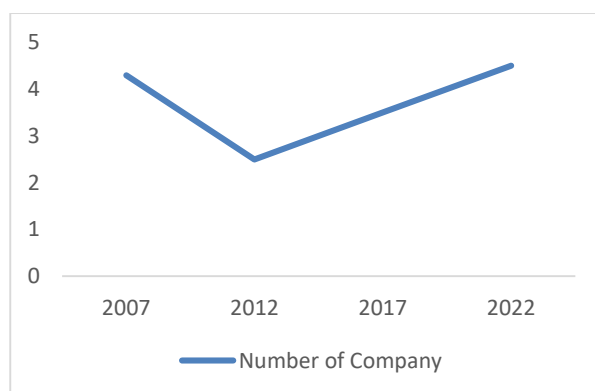
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# 1. Introduction

Financial literacy is becoming more important around the globe. Many populations are investing in financial markets, so they need to have financial literacy. It is assumed that the participants of the exchange are considered to have financial literacy and are aware of the various factors and functions associated with the exchange. Financial literacy is a very broad term that involves intelligence and conduct related to fiscal issues. Stock market education incorporates diverse features of the stock exchange, particular forms of the stock exchange, other authorities of instruction about the stock exchange, and information on the substantial appeal of duplicate points. The basic point of the exam is to assess the level and variety of consumer financial literacy in the Iranian stock market. This audit shows the financial performance of individual Iranian stock market (Tehran stock market) investors investing resources in local financial markets by education level, employment status, salary/income, quality of the environment, and expected lifespan. The purpose is to analyze. In addition, this study examines the connection between financial literacy and the impact of economic factors on investment and financial administration. It also strengthens the efforts of potential researchers in the field and further encourages them to expand their research. The structure of the dissertation is as follows. First, the essay discussed some of the previous literature. Second, the paper discussed the model. The third is the methodology, and finally the analysis of data, results, and discussions.



*Source: Author's computation based on Presidency of the I.R.I Website<sup>1</sup>*  
**Figure1 . Total Number of Shares Traded in the Iranian Stock Market (TSE)**



*Source: Author's computation based on Presidency of the I.R.I Website*  
**Figure 2. Number of Companies in the Iranian Stock Market (TSE)**

## • Research Objectives

The purpose of this study is to search out and review the level of investor financial literacy and determine whether appeal affects stockholders' investment accords in the Iranian stock exchange. Specifically, this study requires:

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<sup>1</sup> [Statistical Center of Iran > Home \(amar.org.ir\)](http://amar.org.ir)

1. Assessment of the impact of financial literacy on stockholders' investment decisions in the Iranian stock exchange.
2. Study the determinants of economic factors among Iranian stock market investors.

- **Survey questions**

1. What are the determinants of investor financial literacy in the Iranian stock market?
2. How do economic factors influence investors' investment decisions in the Iranian stock market?

- **Research hypothesis**

Researchers tried to answer research questions through the following hypothesis:

1. The First hypothesis (H1): There is no statistically momentous effect of financial literacy on investment decisions.
2. The Second hypothesis (H2): There is no statistically momentous effect of economic factors on investment decisions.

## 2. LITERATURE REVIEW

Few studies administer instruction on both fiscal proficiency and variables related to financial administration (awareness, information, skills, etc.). Financial literacy is described in the simplest terms. Holding the knowledge, skills, and abilities to make confident, effective, and responsible decisions and use financial resources appropriately.

- **Financial Literacy:**

**Table.1. Financial Literacy Variables**

	<b>Variables</b>	<b>References</b>
<b>Awareness</b>	Ability to use information and experiences to expertly control materials used in the production of goods at the individual level and throughout the life cycle.	understand that administration's fiscal information plays an outstanding function in making main fiscal determinations. Lack of fiscal information is considered to be the cause of the global financial crisis[1] .
<b>Information</b>	Understand how account verification works, what it means to use a credit card, and how to avoid debt.	Information is a visible or invisible reality that can be used to reduce uncertainty about certain situations or events[2] .
<b>Skills</b>	Key principles of financial literacy include budgeting, spending habit monitoring, debt repayment, and learning the skills and knowledge to plan retirement.	Given the quantitative nature of finance, it is not surprising that direct measurement of math skills predicts the success of a financial course[3] .
<b>Attitude</b>	Economic attitude is a state of mind related to finance, generally because of its background and environment. Financial behavior is related to human behavior related to managing money.	organize that fiscal information has a beneficial link accompanying an individual's fiscal manner. They further settled that good financial knowledge in the middle of persons elevates the structure of definite individual fiscal postures. Attitude is composed of the conception of objectives related to existing insight[4-6] .
<b>Actions</b>	The knowledge that helps someone take appropriate action regarding their financial problems.	People with financial literacy are good at budgeting, saving money, and managing expenses[7] .

- **Financial Literacy and Investment Decisions:**

Financial literacy is a broad concept that incorporates both news and attitude. Financial literacy covers both the understanding of elementary fiscal conceptions and the strength and development to use that instruction to constitute informed individual and fiscal determinations. These resolutions involve when to give, when to preserve, efficiently directing a budget, selecting the right fiscal commodity, and preparedness to address additional existing results, in the way that expenditure our own or our adolescents' improvement and plan for separation. Financial literacy is the study and understanding of sophisticated how capital is fashioned, used, and preserved, additionally the accomplishments and qualification to use materials used in the production of goods to enact outcomes[8] .

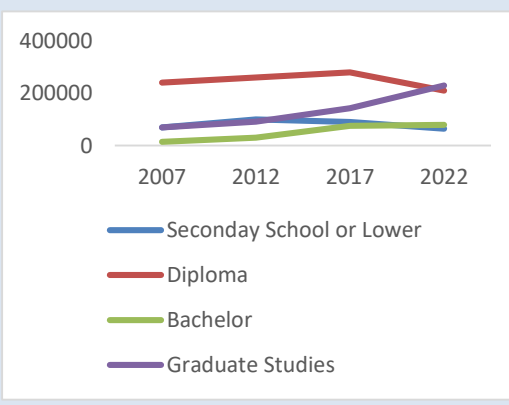
Financial literacy further helps to exercise analysis when we are allowed admission to credit and maintain the acumen to appreciate how much is enough and how much is excessive. Financial literacy is a device that surpasses governmental, terrestrial, and socio-business-related hurdles and is extensive in underdeveloped countries[9] .

Shahvari (2022) investigated financial literacy and stock market investment decisions. The findings suggest that factors associated with lack of financial education and psychological gambling behavior are common regardless of the type of problem gambling [10] .

In summary, fiscal literacy is the capability to use ability and experiences to forcefully deal with materials used in the production of goods for long-lasting fiscal prosperity. Financial proficiency is the process by which entities determine how to toughen their fiscal position by understanding their monetary position, introducing funds, calculating, preparing commercial practices, and making the right monetary resolutions[11] .

- **Economics Factors:**

**Table.2. Economics Factors Variables**

Economics Factors	Explains	References
<p><b>Level of Education</b></p>  <p>— Secondary School or Lower — Diploma — Bachelor — Graduate Studies</p>	<p>Most obviously, high-paying jobs usually require higher or professional education, so education levels affect their financial status.</p>	<p>Incorporating financial literacy into the official curriculum to improve financial literacy for college students allows students to make better financial decisions, improve savings and provide opportunities. It can pave the way for you to improve your abilities. To make a good investment[12] .</p>

<p><b>Income and Assets</b></p>  <p>Income and Assets</p>	<p>Net profits are a right away contributor to what an unmarried man or woman or own circle of relatives can come up with the money for to spend. Income determines community alternatives and dwelling conditions.</p>	<p>Return on equity and capital-to-asset ratios tend to be positively correlated, and the increased share of the insurance sector across almost all developing and developing financial sectors makes the link to insurance growth more important. It suggests that you are. Country[13] .</p>
<p><b>Health and Lifestyle</b></p>  <p>Life Expectancy</p>	<p>Health is a clear measure of socio-economic status. Poor health, whether caused by genetics, accidents, or lifestyle choices, can lead to stagnation.</p>	<p>Improving fiscal proficiency has inevitably enhanced the well-being of civil residents[14] .</p>
<p><b>Quality of Neighborhoods</b></p>  <p>Budget Support</p>	<p>The environment does not have to determine socio-economic status, but it often reflects it. Adults may choose to live in a low-income neighborhood to save money on rent. The same person may choose to interact with colleagues rather than neighbors. In this case, the living environment is not a factor in individual socioeconomic.</p>	<p>This finding is consistent with social learning as a mechanism for learning financial literacy, and neighboring buildings serve as an indicator of the level of financial literacy in your social network[15] .</p>

*Source: Author's computation based on Presidency of the I.R.I Website<sup>2</sup>*

### - Economics Factors and Investment Decision:**

Economic factors are behavior factors and gauges of both business-related practicability and communal position. They instantaneously influence the level of civil authorities and monetary autonomy. Some potential communications between stockholder economic factors and risk and return priorities have existed considered prior or empirically. However, proficiency in content experimental evidence of the helpful prospects of stockholder behavior.

According to a study by Merikas et. Al (2011), the results of a sample of 150 accused labeled behavioral financial assumptions and premature experimental evidence as affecting the average investment stockholder. We have settled that proficiency implies an anticipated few interrelationships accompanying individual practice. The portion of dynamic investors on the Athens Stock Exchange (ASE) is affected apiece approximate movements in ASE at the time of the survey [16] .

Obamuyi (2013) study shows that the economic factors of investors in the way that age, gender, matrimonial position, and academic adequacies statistically affected the expenditure judgments of stockholders. His decisive transcendent main aspect that can influence. Besides the economic factors of a stockholder, the alternative determinants that may influence a financier's resolutions from chief likelihood to shortest feasibility are approvals of economic guides and analysts, latest price activities available, guest's generosity,

<sup>2</sup> [Statistical Center of Iran > Home \(amar.org.ir\)](http://Statistical Center of Iran > Home (amar.org.ir))

stock dealer's signs, credit chance, companion pieces of advice, management's agree the guest, classification appendage's belief, faithfulness for the guest, rumors, scrupulous reasons [17] .

Bhayani and Patankar (2016) compares the contribution nature of local and city stockholders and between ruling classes, contingent upon the priority of diversified determinants to a degree of current expense moment, contribution convenience, liquidity, anticipated return, risk demand, and worth [18] .

Shahvari (2022b) examines the emotional behavior of investors in cryptocurrency markets. This result suggests that the gold price is positively important in all modes in the long run, and that behavioral factors such as consumer sentiment and global economic stability can help control gold prices at shorter time resolutions. suggesting that it is important [19] .

### 3. Methods

- **Data**

The survey matters consist of all investment experts on the exchange. A random sample of 100 professionals was obtained and an inspection was spread. Eighty-five of these questionnaires were explained. They were all complete and convenient in administering research on authority.

- **Reliability test**

Researchers accomplished authenticity tests on the material (survey) in this place study, utilizing accuracy tests and Cronbach's alpha coefficients as symbols of authentic city. The study results show that the research implement has a Cronbach's alpha coefficient of 0.864. This profit (0.864) is not only above the lower limit of the Cronbach's alpha coefficient in the direction of the study, 0.70 [20] , but likewise demonstrates an accomplished level of authenticity.

- **Analysis of the attributes of the study sample**

Table 3 shows that the highest percentage of respondents (53%) have a graduate degree, and the lowest percentage of respondents (3%) have a high school diploma or lower. It shows that.

**Table.3. Distribution of the sample representatives in accordance with academic qualification**

Academic Qualification	Frequency	Percentage
Secondary School or Lower	3	3%
Intermediate College Diploma	11	13%
Bachelor	26	31%
Graduate Studies	45	53%
Total	85	100%

Table 4. The highest percentage of respondents (43%) liked mediocrity, and the lowest percentage of respondents (14%) showed that they disliked the quality of their neighborhood.

**Table.4. Distribution of the sample representatives in accordance with the quality of the neighborhood**

Quality of Neighborhood	Frequency	Percentage
Dislike	12	14%
Neutral	19	22%
Like it Moderately	37	43%
Like it very much	17	20%
Total	85	100%

Table 5 shows that the highest proportion of accused (41%) was ranked to mean an important median of 60, and the malicious percentage of accused (2.5%) was ranked to mean a reduced assessment of 10.

**Table.5. Distribution of the sample members according to life expectancy**

Life Expectancy (from 10 to 90)	Frequency	Percentage
10	2	2.5%
30	14	16.5%
60	35	41%
90	34	40%
Total	85	100%

Table 6 discloses that the highest percent of the accused was for those whose occurrence in the sphere of investment ranges from 10 to inferior 15 age. Meantime, a hostile portion of defendants was for those whose experience in the sphere of investment is inferior 5 age.

**Table.6. Distribution of the sample members according to years of experience in the domain of investment**

Practical Experience	Frequency	Percentage
< 5 Years	10	11.7%
5—< 10 Years	13	15.3%
10—< 15 Years	37	43.6%
≥ 15 Years	25	29.4%
Total	85	100%

Table 7 exposes that the highest ratio of the defendants is those who have a moderate level of income and property. Meantime, the lowest percentage of respondents was for those who have a low level of income and assets.

**Table.7. Distribution of the sample members according to income and property**

Income and Property	Frequency	Percentage
Low	5	6%
Moderate	37	43.5%
Good	26	30.5%
High	17	20%
Total	85	100%

- Moderators**

Table 8 interprets the sample shareholders' reactions individually question and separately shows the arithmetic mean, standard deviation, and rank of the reactions individually question. The results described in these tables may be regarded in this manner: Table 8 expresses the impact of key qualitative components of financial literacy on contribution resolutions. The average answers are all higher in the amount of 3.00, so the answers bear to equal. On the other hand, the first part that financial literacy pronounced to illuminate each of the effective and negative economic performances accompanied the highest match rank, accompanying an average of 4.2948 and a standard deviation of 0.8038.

**Table.8. The mathematics method and standard variances of the components related to the effect of the financial literacy on Investment Decision**

No.	Item	N	Mean	Standard Deviation	T	Sig.(Two-tailed)
1	Financial literacy helps in the assumptions and forecasting related to the future of the business.	85	4.1294	.71204	10.149	.000
2	Financial literacy sheds touch on each of the certain and negative business-related performances.	85	4.2948	.8038	8.249	.000
3	Financial Literacy helps to predict the future financial performance in stock markets.	85	4.2194	1.9385	5.294	.000
4	Financial literacy is suitable for all the users of the investment for investing decisions.	85	4.1930	.7853	11.624	.000
5	Financial literacy eliminates the uncertainty of the future performance of the investors.	85	4.0821	.6029	13.129	.000
6	Financial literacy presents realistic facts effectively or election of knowledge for the interests of positive groups.	85	4.2943	.61849	11.284	.000
7	Financial literacy reduces the vulnerability of the financial position of the investors.	85	4.2154	.6194	11.194	.000
8	Financial literacy enables accurate investment decision-making.	85	4.0312	.6209	12.113	.000

*Note. SD: Standard Deviation*



Table 9 relates the impact of economic factors on investment decisions. The interpretation results proved in this place table show that the average feedbacks are all above 3.00, so the reactions cultivate to equal. On the other hand, the fifth point, which states that economic factors represent market-related and confirmatory values for important events that have influenced investment decisions, is the consensus rank because it has an average score of 4.5517 and is a dying standard. Is the highest point. The deviation is 063168.

**Table.9. The mathematics resources and standard deviations of the components related to the effect of the Economics factors on the Investment Decision**

No.	Item	N	Mean	Standard Deviation	T	Sig.(Two-tailed)
1	The economic factors establish the event for investors to have better investment decisions.	85	4.2917	.71035	10.135	.000
2	The economic factors help the investors' wealth growth	85	4.2184	.81393	8.139	.000
3	Economics factors help to reduce information asymmetry	85	4.0142	1.18495	5.112	.000
4	The knowledge that the economics factors reports encompass substantial essential knowledge for investing decisions.	85	4.4392	.71093	11.298	.000
5	The economic factors present a being agreeable or assenting advantage of the substantial performances related to the market and that impressed investing decisions.	29	4.5517	.63168	13.229	.000
6	The economic factors are characterized by positive bias.	85	4.3916	.67153	11.348	.000
7	The economic factors consist of material that helps in the assumptions and forecasts related to the growth of authority.	85	4.4913	.67153	11.781	.000
8	A fundamental connection that runs between the investment decisions and economic factors.	85	4.1986	.80143	8.029	.000

Note. SD: Standard Deviation.

## 4. Results

### • Hypothesis Testing

*Hypothesis 1: There is no statistically momentous effect of financial literacy on investment decisions.*

Researchers used a one-sample test to test the validity of this hypothesis. The analysis results proved in Table 11 show that the determined t-statistic is 11.623. This amount is higher than each table value. 1.96. Therefore, the null hypothesis is dropped and the established alternative hypothesis is supported. As a result, researchers deduce that investor financial literacy has a statistically meaningful persuade the status of investment decisions at a consequence level of 0.05.

**Table.10. Sample Statistics (one-sample statistics)**

	N	Mean	Std. Deviation	Std. Error Mean
H1	85	3.2172	.41229	.05219

**Table.11. Results of t-test (one-sample test)**

			Test Value = 3.5			
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
H1	11.623	85	.000	.6043	.5101	.7230

*Hypothesis 2: There is no statistically momentous effect of economic factors on investment decisions.*

Researchers tested this assumption utilizing a one-sample test. The results of the hypothesis test (Table 13) show that the premeditated value of the t-statistic is 8.125. This is higher than the corresponding level value. H. 1.96. Therefore, we can turn down the null theory and recognize the alternative hypothesis. Therefore, researchers settle that supporting economic factors have a statistically meaningful effect on the quality of investment decisions at an importance level of 0.05.

**Table.12. Sample Statistics (one-sample statistics)**

	N	Mean	Std. Deviation	Std. Error Mean
H2	85	3.6032	.52109	.06142

**Table.13. Results of t-test (one-sample test)**

			Test Value = 3.5			
	t	df		Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference
					Lower	Upper
H2	8.125	85	.000	.5021	.4124	.7875

## 5. Conclusion

This study investigated the financial literacy of investors in the Iranian stock market. The results were determined by a questionnaire survey. The focus was on investment and savings-related decisions and preferences. Banks, financial institutions, and investors can benefit from understanding the impact of financial literacy, behavioral, and economic factors, thus inviting investors to other financial options. Given the analytical results accessed from this study, the main developments of the study possibly are summed up in

this manner.

1. The main qualitative characteristics of financial literacy influence investment decisions, which illuminate each positive and negative economic event. From this, we can conclude that the potential risk of an investment or savings plan is very important to the respondents in making decisions and that dependencies have been observed for all five variables.
2. The higher the financial literacy of a person, the better and smarter their financial behavior. Whether you run a business or not, you need financial knowledge and literacy as the basis for making decisions in your daily life.
3. User decisions regarding investment activities represent confirmations of key market-related events that are influenced by economic factors and have influenced investment decisions. Therefore, there is an important and basic link that arises between investment decisions and economic factors.

Based on the conclusions of the study, this study recommends:

1. Preparing seminars and workshops to increase the information that will lead to increased investor awareness and financial literacy.
2. Work on the investor perceptions and knowledge about the importance of facts and contemplate it approaching individuals of greatest outstanding authorities of knowledge investors to count on to constitute decisions.

## **Funding**

None.

## **Conflicts of Interest**

None.

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