**THE IMPACT OF FINANCIAL INFORMATION ON INVESTMENT DECISION MAKING: A CASE STUDY OF DAR ES SALAAM STOCK EXCHANGE**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

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# **CERTIFICATION**

The undersigned certify that he/she has read and hereby recommend for acceptance by the Open University of Tanzania a Thesis entitled: **“Impacts of Financial Information on Investment Decision Making: A Case Study of Dar es Salaam Stock Exchange”** in full fulfilment of the requirements for the Degree of Master of Business Administration of the Open University of Tanzania.

……………………………………

Dr. Salvio Macha

(Supervisor)

…………………………….........

Date

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# **DECLARATION**

I, **Joseph Patrick Mwankenja,** declare that, the work presented in this dissertation is original. It has never been presented to any other university or institution. Where other people’s works have been used, references have been provided. It is in this regard that I declare this work as originally mine. It is hereby presented in partial fulfillment of the requirement for the Degree of Master of Business Administration (MBA).

……………………….………..

Signature

…………………………

Date

# **DEDICATION**

This project is dedicated to my entire family, especially my wife Clementina Adelard Mng’anya and my Sons Beyonck, Enrique, Liam and Jarrett without forgetting my special one daughter Scarlett, for their moral support, understanding and perseverance during my study period. It also dedicated to my beloved mother Halima Seif Liyami, I really love you and thanks for your good support.

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# **ABSTRACT**

This study assessed the impact of financial information on investment decision. The study was guided by three specific objectives; the first objective was to assess the impact of the quality of financial information on investment decision, the second objective was to examine the impact of financial statement analysis on investment decision and the third one was to examine the impact of financial information literacy on investment decisions. The study adopted a descriptive research design and a quantitative approach in obtaining data for the study. A total of 150 different investors around the Dar es Salaam Stock of Exchange were conveniently selected to take part in the study. A survey method through questionnaire as a data collection tool was used to collect quantitative data from the selected respondents. The data were analyzed through descriptive statistics and multiple regressions to establish the relationship between variables. Findings of the study revealed that the quality of financial information, financial statement analysis and financial information literacy all have positive significant impact on investing decisions. The study therefore concludes that the quality of financial information, financial statement analysis and financial information literacy all have positive significant impact on investing decisions are important in making investing decisions. The study therefore recommends that companies should prepare good quality financial reports to makes sure they don’t mislead investors. Also, investors should equip themselves with relevant financial knowledge to make they are capable of analyzing financial statements and use them for their investing decisions.

**Keywords:** Financial Information; Investment Decision.

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#  **ABBREVIATIONS AND ACRONYMS**

DSE Dar es Salaam Sock Exchange

PhD Doctor of Philosophy

RAS Regional Administrative Secretary

SPSS Statistical Package for Social Sciences

# **CHAPTER ONE**

# **INTRODUCTION AND BACKGROUND OF THE STUDY**

## 1.1 Introduction

Both large and small organizations in addition to satisfying the legislating requirements tend to retain existing investors and to attract potential ones through the publication of their financial statements where the capital stock of a corporation is widely held and its affairs are of interest to general public relations (Amedu, 2012). When financial statements are disclosed, they can have large impacts on the business and on the investors of the company. This is because many investors look at the financial statements when making investment decisions. Therefore, it is important for companies to ensure that the information disclosed in a financial statement is better or worse than expected; it can send the stock price up or down (Osuala, Ugwumba and Osuji, 2012).

Therefore, this study assessed the impact of financial information on investment decisions in the banking industry in Tanzania. This chapter presents the background information of the study. The chapter is divided into different parts including; the introduction and background, statement of the problem, objectives of the study, research questions, significance of the study, and limitations of the study.

## 1.2 Background of the Study

Financial statement is a formal and comprehensive statement describing financial activities of a business organization such as the financial institutions. For such a business entity, financial statement is a statement that reports all relevant financial information, presented in a structured manner and in a form easy to understand for managerial use for taking prompt and informed decision making related to investment (IASB, 2007a) and also to decision making pertaining to cost planning, investment planning, expected returns and performance evaluation. The financial statement comprises of balance sheet (for determining financial position), profit and loss statement (describes statement of comprehensive income), statement of equity changes (explain the changes of the company’s equity), and cash flow statements (reports on a company’s cash flow activities, particularly its operating, investing and financing activities).

Globally, financial reports give a global perspective of a company's profitability and financial status in both the short and long term (wood and Sangster, 2015). They are essential sources of accounting information for a wide range of consumers. Accounting information users want to know the financial position of an organization during a specific period of time for a variety of reasons, such as management using financial information for forecasting, planning, and budgeting, creditors using it to determine if they will be paid, competitors using it to determine the current power of her competitor, the government using it to charge corporate tax, and shareholders using it to determine the size of dividend an organization pays out (Wood and Sangster, 2015).

Different decisions such as investment decisions, financial decisions and dividend decisions are made from the financial reports. Every business needs information and the larger the organization the greater the management need for information. Financial report plays a vital role in decision making process of business organizations. The main purpose of financial reports is the provision of financial information as a record making. It has been said that accounting is the language of business. It might also be said that the ability to apply accounting knowledge is critical to success in business (Omberg, 2012).

Investment decisions are very crucial and caution must be taken because huge, scarce and hard-earned resources are involved, irreversible in nature, risky and have long term implication which no investor would want to be confronted with if negative results occurred. Therefore, there is every need for investors to have good knowledge and understanding of the cash flow statement, value added statement, income statement, the price, earnings, value and dividend per share and other relevant financial statements to avoid irrationality in investment decision making. It must be noted that the financial information prepared by management as a responsibility has to be reviewed by independent external auditors and duly analysed by professional financial experts prior to investment decision making.

Also, in African Enterprises, the perceived relevance of financial information is to provide reliable information about the true and actual financial position, performance (profitability), and changes in financial position of a business investment opportunity that could be useful to a wide range of prospective investors, managers, directors, financial institutions, financial analysts, government, regulatory agencies, the media, vendors and the general public in making informed or rational investment decision (Amahalu et al., 2020). In Nigeria, for example, Amahalu, Egolum, and Obi (2019) asserted that, in the aftermath of recent accounting scandals and economic meltdowns in which billions of naira of investment and retirement wealth have vanished, the very integrity and survivability of financial information's value relevance has been called into question. Financial statement quality is a type of information system that is utilized for communication and decision making (Amahalu, Egolum & Obi, 2019).

Similarly, financial information is critical in Tanzanian investment choices. Investment decisions are critical, and prudence must be used since vast, limited, and hard-earned resources are at stake, they are irreversible, dangerous, and have long-term implications that no investor would want to face if poor results happened. The timeliness of financial statements is likely to have an impact on investing strategy (Norman, 2012).

The content of financial information is often expected to be prepared according to national standards, corporate governance, professional ethics and the code of conducts in order to avoid financial reporting fraud and scandals that might hinder effective and informed investment decision making by investors and other users of these information. Another purpose of expected standards and ethics in financial reporting is to re-orientate professional accountants, financial experts, auditors and corporate organisations on the need to abide by the code of conducts that facilitate public confidence in their services (Okafor, 2006).

This study identifies one key aspect of financial information, the effect on investment decision, and the relationship subsisting between financial information and investment decision making. Finally, financial information has been discovered to be useful to investors; however, the extent to which it has influenced investment decision making is limited in literature. This study seeks to examine the effect of financial statements on investment decision making.

## 1.3 Statement of the Problem

According to Amahalu (2020), financial statements are highly significant for making judgments because investment decisions are based on a set of accounting and financial disclosures available through financial statements. It is also important to note that in order to achieve the overall goals of the financial decision-making process, information should be obtained by understanding, transmitting, and interpreting financial statements using financial analysis indicators to determine the institution's true financial situation and make appropriate financial decisions (Berthilde and Rusibana, 2020).

According to Amahalu (2020), financial analysis has the full potential to assist the institution, particularly in making financial decisions, and to prevent risks and impediments. She also stated that financial analysis helps to determine the financial institution's status. Following up from the efforts undertaken to realize the Vision 2030, and in light of prior studies and pertinent research. As a result, knowing the present level of business quality is critical in the context of future business management, as we strive to assure the company's development and survival on the market. Financial statement analysis precedes the management process, which precedes the planning process, which is a component of the management process (Sanyaolu et al., 2020).

Several studies (Bamidele, Ibrahim and Omole, 2018; Sanyaolu et al., 2020 and Amahalu 2020) have assessed the impact of financial information on investment decision making. However, most of them were conducted in different areas other than Tanzania. Thus, their findings cannot favor the environment of Tanzania. The fact shows a number of researches have been done to investigate the role of accounting information in relation to investment decision, most of them were carried in other countries particularly Asian countries. This study filled the exiting gap left by previous literature specifically the role of accounting information on investment decision in Tanzania organizations.

## 1.4 Objectives of the Study

### **1.4.1 General Objective**

The general objective of the study is to assess the impact of financial information on investment decision making.

### **1.4.2 Specific Objectives**

1. To assess the impact of financial statement quality on investment decision making
2. To examine the impact of financial statement analysis on investment decision making
3. To evaluate the impact of financial statement literacy on investment decision making

## 1.5 Research Questions

1. What is the impact of financial statement quality on investment decision making?
2. What is the impact of financial statement analysis on investment decision making?
3. What is the impact of financial statement literacy on investment decision making?

## 1.6 Significance of the Study

This study is very significant as it will help financial institutions and bodies in decision making. The study will point out the financial information weaknesses to be considered when using them for decision making as a base. These Organizations will be aware of what to consider when making an investment decision. Also, it will be able to present important information for investors to make analysis. The study will also help the public in widening knowledge of financial information and the role it plays in investment decision making, it will also make the public to appreciate the importance of sound financial reports in the provision of information necessary for decision making. On the other hand, results from this study will be a useful material for other/future researchers who might be interested in assessing the impact of financial statements on investment decision making.

## 1.7 Scope of the Study

This study assessed the impact of financial information on investment decision making. Guided by three specific objectives, the study examined the impact of the quality of financial information on investment decision making; examined the impact of financial statement analysis on investment decision making and evaluated the impact of financial information literacy on investment decision making. The study was conducted by examining the investors at the Dar es Salaam Stock Exchange; thus, data was collected at the DSE.

## 1.8 Organization of the Study

Chapter one introduces the topic to the reader. The chapter explains the background of the study and statement of the problem giving a focus of the study. The Objective of the study and research questions is identified. Scope of the study, its significance and organization of the study is also identified. Chapter two gives the literature review, where all the concepts that are important to the study have been presented. Conceptual definitions presented, thus all terms related to the study have been explained. Theoretical and empirical analysis has also been presented. After carefully analyzing various research studies conducted so far, research gap has been identified and conceptual framework developed as well as theoretical framework described.

Chapter three describes how the study was carried out, showing the measurement of the constructs, the way data were collected and coded. The purpose of this chapter is to present, discuss and argue for the choices made in designing the research framework of this study. Chapter four has presented, the findings of the study. The analysis and presentation has been done in accordance to the specific objectives of the study. chapter five has discussed the research findings. The discussion has been conducted by comparing the findings with the results of other related studies carried elsewhere. Chapter six has summarized the findings of the study, giving the conclusion and recommendation. Additionally, the chapter has highlighted areas for further study.

# **CHAPTER TWO**

# **LITERATURE REVIEW**

## 2.1 Introduction

This chapter is chapter presents literature related to this study. This study assesses the impact of financial information on investment decision making. This chapter presents definition of key terms, a deep discussion and presentation of the theories that are related to this study, the empirical review of related researches, the analysis of the research gap and the conceptual framework.

## 2.2 Definition of Key Terms and Concepts

### **2.2.1 Financial Information**

Financial information refers to financial statements have been defined as “the main source of information for major investment decisions including whether to lend money to a firm by investing in its bonds, to acquire an ownership stake in a firm by buying its preferred and common stock” (Faboyede and Mukoro, 2012). They are documents prepared on financial activities of a business (Amedu, 2012). The main objective of financial statement is to provide high-quality financial information concerning economic entities, primarily financial in nature, useful for economic decision making (International Accounting Standards Board, 2008).

### **2.2.2 Investment Decisions**

Investment decision is one of the most important and difficult decisions taken by management in the institution, as these decisions aim to determine the optimal structure of the size of investment, as these decisions affect the survival and continuity of the institution (Chiha, 2009). The decision involving the commitment of present fund on long term project with the aim of gaining more in the future is termed "investment decision".

Such decision according to Zayol, Agaregh and Eneji (2017) is often characterized by a lot of risks and uncertainty as it involves the commitment of huge, scarce and hard earned fund into a long-term project where the future outcome (profit or loss) cannot be predicted with precision and accuracy, and such decision once made is also considered to be irreversible. Bearing in mind the risk attributes of the commitments of fund to invest, investors must exercise due care while deciding so as not to lose their hard-earned financial resources by wrongly investing fund on projects that do not have the potential of yielding expected returns (Sanyaolu et al., 2020).

## 2.3 Theoretical Literature Review

The study was guided by the Agency theory of the firm. The Agency theory was first proposed by Jensen and Meckling (1976) in a theory of the firm based upon conflicts of interest between various contracting parties such as shareholders, corporate managers and debtors. However, since then, the finance theory has developed both theoretically and empirically to allow a fuller investigation of the problems caused by divergences of interest between shareholders and corporate managers.

The Agency theory indicates that agency problems arise because of the impossibility of perfectly contracting for every possible action of an agent whose decisions affect both his own welfare and the welfare of the principal, Brennan (1995). The main challenge that arises from the agency conflict is how to induce the agent to act in the best interests of the principal. Jensen and Meckling (1976) suggest that this can be achieved through incentive schemes for managers which reward them financially for maximizing shareholder interests. Such schemes typically include plans whereby senior executives obtain shares, perhaps at a reduced price, thus aligning financial interests of executives with those of shareholders.

Therefore, in the context of this study, the theory is useful in explaining the relationship between a firm and investors. The theory therefore postulates that agency problems can be avoided when investors use the available financial information to aid their investment decisions.

## 2.4 Empirical Literature Review

### **2.4.1 The Impact of Financial Statement Quality on Investment Decision Making**

Amahalu (2020) investigated the impact of financial statement quality on investment decisions of publicly traded Deposit Money Banks (DMBs) in Nigeria from 2010 to 2019. This study specifically looked at the impact of Financial Statement Verifiability, Financial Statement Timeliness, and Financial Statement Understandability on Return on Equity. Secondary data were acquired from a sample of seven (7) DMBs using an ex-post facto study approach. In order to fulfill the study objectives, inferential statistics such as Pearson correlation and Ordinary Least Square (OLS) regression analysis were used. According to the findings of this study, Financial Statement Verifiability, Financial Statement Timeliness, and Financial Statement Understandability had a substantial beneficial influence on Return on Equity of listed Deposit Money Banks in Nigeria at a 5% level of significance. Therefore, the study concludes that financial statements quality has a significant impact on investment decision. Therefore, the study relates to the current study since it assessed how the financial statements can be useful in decision making, however, the study was conducted in Nigeria by focusing on banks but the current study was conducted in Tanzania focusing on investors at the DSE.

Bamidele, Ibrahim, and Omole (2018) explored the influence of financial reporting quality on investment decision making by Deposit Money Banks using Zenith Bank Plc in Nigeria as an example. Data derived from Zenith Bank Plc's audited annual reports covering the years 2009 to 2016. To analyze the data, the study used both the Descriptive and Ordinary Least Square Regression methods, as well as E-view 9. The findings revealed that factors of (Financial Reporting Quality FRQ measures as profit after tax, cash utilized in/from investing, and cash and cash equivalent) had a substantial influence on investment. The results also reveal that Financial Reporting Quality has a substantial effect on Deposit Money Banks' investment (R2 = 0.98; P 0.05). Thus, the conclusion of the study was that financial statements` quality has a significant impact on decision making. So, the study relates to the current study since it assessed how the financial statements can be useful in decision making, however, the study was conducted in Nigeria by focusing on banks but the current study was conducted in Tanzania focusing on investors at the DSE.

Chan-jane, Tawei, and Chao-jung (2018) used a sample of listed Taiwanese enterprises from 1996 to 2011 to study the relationship between investment decisions and financial reporting quality in the setting of family firm’s vs non-family firms. Descriptive statistics as well as inferential statistics were used to analyze the collected data. According to their findings, family companies are more prone than non-family enterprises to under-invest in order to safeguard their socio-emotional wealth, and financial reporting quality is more adversely related with family firms' under-investment behavior. The presence of internal finance channels mitigates this negative correlation, and the study finds no meaningful involvement in such association when a family member serves as CEO. They added to the research on the relationship between financial reporting quality and investment decisions by emphasizing the distinctive characteristics of family businesses. The study concludes that these results are robust after controlling for the potential endogeneity issue of financial reporting quality, alternate measures of inefficient investment as well as internal financing channels, family firm subsample, and different industry groups. The study based on the comparison on the usefulness of financial statements in decision making between family and non-family firms; however, the current study based on the investors at the stock exchange.

**2.4.2 The Impact of Financial Statement Analysis on Investment Decisions**

Berthilde and Rusibana (2020) investigated the role of financial statements in the investment decisions of Rwandan banks, focusing on the Bank of Kigali. A descriptive and a correlational study design were utilized, as well as quantitative and qualitative methodologies. In Kigali Bank, 126 managers were selected and 96 managers were sampled using a stratified random selection approach. Data from the field was obtained by utilizing a questionnaire and a documented study of the bank's financial reports from 2014 to 2018. For analysis, correlation analysis with SPSS version 22.0 was utilized in this study. The results showed that if the independent variables were held constant to zero, the short-term investment choice would be at 0.266 for common size analysis, with the most significant p-value being 0.008. Holding independent variables constant to a constant zero, the conclusion indicated that vertical analysis would be at 0.215 for horizontal analysis and element increased ratio analysis in the term investment decision restricted by a factor of 0.001 linked with the long-term investment decision. Therefore, the study focused on secondary data and focused on commercial banks in Kigali Rwanda. But the current study was conducted in Tanzania focusing on the perceptions of the investors on the usefulness of financial statements on investment decision making.

Aside from that, Ezejiofor, Rolise, and John-Akamelu (2018) did a study that focused on a comparative examination of the Nigerian telecommunications and banking industries. The study used t-test statistics to determine if there is a difference in the investment decisions of the Nigerian telecommunications and banking industries based on secondary data acquired from the sampled firm's annual reports. The t-test result demonstrated that telecommunication businesses' liquidity is lower than that of banks, resulting in an increase in telecommunications investment decisions. The study concluded that financial statement analysis has a major favorable influence on investment decisions in the Nigerian telecommunications sector. The study specifically focused on the telecommunications industry therefore, the findings were specific to that industry; also, the study was conducted in Nigeria which is a different context from the current study which focused on all the industries and was conducted in the Tanzanian context.

**2.4.3 The Impact of Financial Statements Literacy on Investment Decisions**

According to Tarora and Juwita (2017), the purpose of this study was to determine the impact of financial literacy on investing decisions. General Personal Finance Knowledge, Savings and Borrowing, Insurance, Investments, and Investment Decisions are the variables used. The study's findings revealed that all independent factors had a significant influence on the dependent variable, with an Fcount of 134.595. All independent factors have some influence on the dependent variable. The variable General Personal Finance Knowledge has a tcount of 2.918, the variable Saving and Borrowing has a tcount of 8.154, the Insurance variable has a tcount of 3.438, and the variable Investment has a tcount of 4.257. Therefore, the study concludes that financial literacy has a significant influence on the investment decisions. This study was conducted to assess the impact of financial literacy on investment decisions; unlike the current study which assessed the impact of financial information on the investment decision making.

Alaaraj and Bakr (2020) investigated the impact of financial literacy on investment decision making among South Lebanon investors. A quantitative technique was used to attain the study goal, with 150 self-administered surveys gathered using convenience sampling. Customers from four different banks in South Lebanon are included in the sample. SPSS software was used to examine the data. Pearson correlation and multi-regression analysis were used to assess given hypotheses and identify descriptive statistics. The findings revealed a substantial favorable association between financial literacy and investment decision making. Therefore, the study concludes that financial literacy has a significant impact on investment decisions. This study was conducted to assess the impact of financial literacy on investment decisions; unlike the current study which assessed the impact of financial information on the investment decision making.

Kristanto and Hendry (2020) investigated the influence of financial knowledge on Sharia Bank clients' investing decisions. Random sampling is used on Sharia Bank clients in the Special Region of Yogyakarta, Indonesia. Multiple regression is used to analyze data. The findings show that financial knowledge influences investing decisions positively. Financial conduct influences investing decisions in a good way. Financial understanding influences investing decisions positively. Financial mindset influences investing decisions positively. The study concluded that financial literacy has a significant impact on investment decisions. Unlike the current study which focused on the perceptions of investors on the usefulness of financial information on investment decisions, the study focused on Islamic banks.

## 2.5 Research Gap

By considering the above reviewed empirical literature which show several similar researches have been done, but there is a gap left range from geographical to time as well as the nature of the organization. Tyll & Pohl (2014) conducted a research on the role of accounting information for investment decision on private of capital market in Czech Republic. Despite the study relevance the research conducted in Czech Republic where geographical attributes and a socio culture value differs from Tanzania.

Thus, their findings cannot favor the environment of Tanzania. The fact shows a number of researches have been done to investigate the role of accounting information in relation to investment decision, most of them were carried in other countries particularly Asian countries. This study filled the exiting gap left by previous literature specifically the role of accounting information on investment decision in Tanzania organizations.

## 2.6 Conceptual Framework

A conceptual framework, according to Moskal and Leydens (2007), is a visual or narrative representation of the primary objects to be researched, such as important components, constructions, or variables, and the assumed relationships between them. A conceptual framework defines the primary objects to be researched, the key components, ideas, or variables, and the assumed link between them, either visually or narratively. According to Vaughan (2013), a conceptual framework offers the structure or substance for the whole study based on the literature and personal experience. The same definitions are used in this investigation. The provided conceptual framework describes the interrelationships between independent and dependent variables.

The dependent variable is the status of the 'effect' (or outcome) in which the researcher is interested; the independent variable is the status of the presumed 'cause,' changes in which lead to changes in the status of the dependent variable; and an independent variable is a variable that the experimenter manipulates that is assumed to have a direct effect on the dependent variable McLeod (2013). In this study, the independent variables are the quality of financial information, financial statement analysis, and financial information literacy, whereas the dependent variable is investment decision making. Their relationships are as portrayed in figure 2.1 below;

##### Figure 2.1: Conceptual Framework

**Independent Variables Dependent Variable**

**Quality of Financial Information**

* Relevance
* Understandability
* Verifiability
* Periodicity
* Consistency
* Reliability

**Investment Decision Making**

* Decision to Invest
* Amount to Invest
* Returns on Investments
* Investment risk

**Financial Statement Analysis**

* Understandability
* Performance prediction
* Healthy Company Management
* Performance Comparison
* Risk estimation

**Financial Information Literacy**

* Awareness
* Financial Knowledge
* Understandability
* Financial Statement Evaluation

**Source:** Developed from Literature (2022)

# **CHAPTER THREE**

# **RESEARCH METHODOLOGY**

## 3.1 Introduction

Research methodology refers to the philosophical framework or the foundation on which the research is based (Brown, 2006). This chapter describes research methods, approaches, design and procedures. The chapter presents the procedures that were used to undertake the study. Furthermore, this chapter describes the population of the study, sample size and sampling procedures, instruments for data collection and also data analysis. Lastly, the chapter explains the validity and reliability of the data as well as ethical consideration of the study.

## 3.2 Research Approach

The research approach is a strategy and technique that includes general assumptions as well as precise methods of data gathering, analysis, and interpretation. As a result, it is determined by the nature of the research topic being addressed (Chetty, 2016). This study adopted a quantitative research approach in gathering data and analyzing them in accordance to the specific objectives of the study. Quantitative research frequently entails the use of statistical analysis to bridge the gap between what is known and what may be discovered via inquiry. As a result, interpreting data using quantitative methodologies necessitates a grasp of the connections between variables using descriptive or inferential statistics (Chetty, 2016).

## 3.3 Research Design

Research design is a comprehensive plan relevant for data collection, measuring, and

sampling process in empirical research projects (Bhattacherjee, 2012). Research design is the detailed blue print used to guide a research study toward its objective, or conceptual structure within which research is conducted (Saunders et al., 2009). It constitutes the blue print for the collections, measurement and analysis of data. This study adopted a descriptive research design which is concerned with deep understanding of the research problem.

## 3.4 Area of Study

This study will be carries out in the Dar es Salaam Stock Exchange Limited (DSE) located on Ohio Street, west of Kivukoni, south east of Dar es Salaam, the commercial capital and largest city in Tanzania. DSE is a body corporate (limited by guarantee) incorporated in 1996 under the Companies Act, 2002 (Cap.212) and trading started in 1998. The principal objective of the Stock Exchange is to provide a securities market to investors who intend to invest in the listed companies. The Stock Exchange assists companies to raise capital through the issuance of equities and debt securities.

## 3.5 Population of the Study

Ngechu (2004) defined a population as a well-defined or set of people, services, elements, events and group of things or households that are being investigated. In this study the population of interest was investors offering to invest in DSE. Therefore, all the potential investors at DSE were used as the population of the study. The choice of this group was from the fact that the study assessed the impact of financial information on investment decision, thus, a group of investors was the right population for the study.

## 3.6 Sample and Sampling

### **3.6.1 Sample Size**

Sample size refers to the small size of population in which the researcher selects to represent and provide maximum insights and understanding of the population under study (Ahuja, 2013). It reflects the basic characteristics of the study population from which the researcher makes inferences and draw conclusion (Ary et al., 2010). The sample size was obtained from DSE investors. As far as the study is concerned, a sample size of 150 investors was obtained for the purpose of this study.

### **3.6.2 Sampling Technique**

According to Kothari (1990) sampling is the process of selecting or drawing a sample of individuals From the total population to be studied; while a sample is that part of the universe population which is selected for the purpose of investigating and making generalization about the population characteristics as usually, the population is too large for the researcher to attempt to survey all of its members.

Therefore, this study adopted a convenience sampling technique to get the 150 respondents for the study. the choice of a convenience sampling was from the fact that investors could not be conveniently available for the study and therefore, only those who were available and willing to take part in the study were included.

## 3.7 Types of Data

Data can be divided into primary as well as secondary type. Primary data is defined as the first-hand information collected from respondents through questionnaires, interviews and observation (Kothari, 1990). Secondary data is the second hand information and includes both raw data and published ones like newspaper, journals and textbooks; these data were obtained from literature sources (Saunders, 2000). However, this study made use of primary data only as information collected afresh from the respondents.

## 3.8 Data Collection Method

The study used a survey questionnaire as a data collection method for the purpose of this study. The choice of a questionnaire was from the fact that there is low cost even when the universe is large and is widely spread geographically. It is free from the bias of the interviewer; answers are in respondents’ own words. Respondents have adequate time to give well thought out answers. Respondents, who are not easily approachable, can also be reached conveniently. Large samples can be made use of and thus the results can be made more dependable and reliable. Also, although there some challenges for this method like low rate of return of the dully filled in questionnaires, but the researcher managed to overcome them to a reasonable level.

## 3.9 Data Analysis

The data collected were cleaned and entered into a Statistical Package for Social Sciences software for analysis. The analysis of the demographic information of the respondents was conducted through descriptive statistics and presented by frequency tables. Additionally, the relationship between independent and dependent variables was done through multiple regressions model through the following equation;

Y = α + β1X1 + β2X2 + β3X3 + ε

Where:

Y = Investment Decision

X1 to X3 = Coefficients

β1 = Quality of Financial Statements

β2 = Financial Statement Analysis

β3 = Financial Information Literacy

 ε **=** Error Term

## 3.10 Ethical Considerations

The research considered all important procedures for conducting the research whereby a researcher will seek research permission and clearance letter from the Directorate of Postgraduate Studies, The Open University of Tanzania. The letter was presented to the Regional Administrative Secretary (RAS) to seek permission to collect data. The RAS introduced the researcher to the lower authorities to enable the researcher to collect data. Also, the respondents in the study were informed and requested to show consent and participation toward the study about its purpose. Also, the respondents were assured with maximum confidentiality that the information at hand is used for research only and not for other issues and thereafter will be protected and restricted to be used by unauthorized person.

# **CHAPTER FOUR**

# **FINDINGS**

## 4.1 Introduction

This study assessed the impact of financial information on investment decision. The study was guided by three specific objectives; the first objective was to assess the impact of the quality of financial information on investment decision, the second objective was to examine the impact of financial statement analysis on investment decision and the third one was to examine the impact of financial information literacy on investment decisions. The study adopted a descriptive research design and a quantitative approach in obtaining data for the study. A total of 150 different investors around the Dar es Salaam Stock of Exchange were conveniently selected to take part in the study. A survey method through questionnaire as a data collection tool was used to collect quantitative data from the selected respondents.

##

## 4.2 Respondents’ Characteristics

Respondents of the study were first assessed in terms of their demographic characteristics such as age, gender, education level and their experience in the investments at the DSE. Their findings are as presented in table 4.1 below;

#### Table 4.1 Respondents’ Demographic Data

|  |  |  |  |
| --- | --- | --- | --- |
| **Variable** | **Classification** | **Frequency** | **Percentage** |
| Age of Respondents | 18 – 25 | 15 | 10 |
| 26 – 33 | 27 | 18 |
| 34 – 41 | 56 | 37 |
| 42 - 49 | 42 | 28 |
| 50 and Above | 10 | 7 |
| Gender of Respondents | Male | 82 | 55 |
| Female | 68 | 45 |
| Education level | No Education | 8 | 5 |
| Primary School | 9 | 6 |
| Secondary School | 26 | 17 |
| Certificate | 16 | 11 |
| Diploma | 25 | 17 |
| Degree | 56 | 37 |
| Masters | 7 | 5 |
| PhD | 3 | 2 |
| Customer Experience with DSE | 1 - 5 years | 112 | 75 |
| 5 – 10 years | 20 | 13 |
| 11 – 15 years | 13 | 9 |
| 16 and above | 5 | 3 |

**Source:** Research Findings (2022)

Demographic data (Table 4.1) shows that most respondents belonged to 34 – 41 and 42 – 49 age groups 37% and 28% respectively. This means that about 65% of all respondents aged 34 to 49. Only 7% of the all respondents were above 50 years old while 28% aged 18 to 33 years. This is an indication that majority of the respondents at DSE are from 34 years and above. This is the age where most people start thinking of investments for their future. Despite that, the study managed to collect useful information from all the age groups.

In addition, data shows that the number of male respondents was slightly higher than the female respondents by 10%. The male respondents amounted to 55% of the sample size while the female respondents constituted to 45% of the sample size. This implies that majority of the investors are male. This is in connection to the fact that in most families and communities of the third world, men are mostly responsible for investments while women are mostly responsible for family responsibilities. However, the information collected was from both, male and female investors.

Moreover, data shows that many respondents had attained basic primary education since 6% had primary education level, 17% secondary level, 11% certificate level, 17% diploma level, 37-degree level, while 5% and 2% had attained masters and PhD levels respectively. This means that all respondents had enough knowledge to provide relevant information for the study.

Also, the study assessed the experience of respondents in relation to investments at the DSE. Data shows that 75% of all customers had experience with DSE for about 1 – 5 years while the rest had 5 – 10 years (13%), 11 – 15 Years (9%) and 16 years and above (3%). Thus, the findings indicate that all the respondents had enough experience in investment decisions and therefore reliable for providing relevant information to answer the research questions.

## 4.3 Validity and Reliability

### **4.3.1 Validity**

Content validity method was used to test for validity; in this method, fifteen (15) questionnaires were pre tested by distributing them to investors, statisticians and colleagues, their opinions were positively considered and the instruments reviewed to make sure they bring the intended results. The instruments brought the intended results and therefore the researcher was then confident to apply them in data collection.

### **4.3.2 Reliability**

Reliability refers to the consistency and stability of the findings that enables the findings to be replicated (Burns & Burns, 2008). A reliability analysis using Cronbach’s alpha (α) was conducted to estimate the reliability of the predictor variables. Cronbach’s α analysis is a useful way of determining internal consistency and homogeneity of groups of items in tests and questionnaires (Burns & Burns, 2008). The generally agreed upon lower limit for Cronbach’s α is 0.70 (Table 4.2).

#### Table 4.2: Range of Cronbach’s Alpha Coefficients

|  |  |
| --- | --- |
| **Reliability** | **Range** |
| Unreliable  | α≦0.30 |
| Barely reliable  | 0.30**＜**α≦0.40 |
| Slightly reliable  | 0.40**＜**α≦0.50 |
| Reliable (Most common range) | 0.50**＜**α≦0.70 |
| Very reliable (Second most common range)  | 0.70**＜**α≦0.90 |
| Strongly reliable | α**＞**0.90 |

**Source:** Wu et al., (2012)

Internal reliability of the 21 items’ scale was assessed. Items assessing the quality of financial information and financial statement analysis had cronbach`s alpha values of 0.920 and 0.908 respectively, items assessing financial information literacy and investment decisions had values of 0.939 and 0.916 respectively. Therefore, it is evident that all the items had a cronbach`s alpha above the required Cronbach’s α of 0.70. This indicates that the research instrument and therefore the data collected were reliable. Table 4.3 below shows the cronbach`s alpha values of all the items.

#### Table 4.3: Cronbach’s Alpha Test Results

|  |  |  |  |
| --- | --- | --- | --- |
| **Variable** | **Number of Items** | **Alpha Value** | **Variable Type** |
| Quality of Financial Information | 6 | 0.920 | Predictor |
| Financial Statements Analysis | 5 | 0.908 | Predictor |
| Financial Information Literacy | 5 | 0.939 | Predictor |
| Investment Decisions | 5 | 0.916 | Predicted |

**Source:** Research Findings (2022)

## 4.4 The Impact of the Quality of Financial Information on Investment Decision

The first objective of the study was to assess the impact of the quality of financial information on the investment decisions. Respondents were asked to show their levels of agreement or disagreement on various measures of quality financial information such as reliability, understandability, relevance, timeliness, verifiability and consistency;

Majority of the respondents strongly agreed (46%) followed by those who agreed (37.3%) that the relevant financial information is an aid for making investment decisions. Thus, when they use relevant financial information, it becomes helpful in making their investment decisions. On the other hand, 8.0% disagreed and 6.7% strongly disagreed on the same and the remaining 2.0% were neutral. Results also discovered that understandability of financial information is crucial for the investors since is easy to make investment decisions when there is understandable financial information. This was evidenced by majority of the respondents who strongly agreed (62%) followed by those who agreed (28.7%), while others disagreed (2.7%) and strongly disagreed (6.7%).

Additionally, the study assessed the importance of having verifiable financial information in decision making and discovered that the easy of verification of financial information makes it easy for investment decisions. Most of the respondents strongly agreed (60%) and agreed (26%) on the fact while 6.7% disagreed, 1.3% strongly disagreed, and 6% were neutral. Moreover, it was discovered that it is easy to make investment decisions when the financial information is prepared on a periodic basis. This was supported by 56% of the respondents who strongly agreed and 37.3% who agreed; however, the same fact was opposed by only 4.0% of respondents who strongly disagreed and 2.7% who disagreed.

Additionally, the study examined the importance of consistency on the preparation of financial information. On this, it was discovered that the consistency of financial information helps in making investment decisions (53.3% strongly agreed, 40% agreed, 4.0 strongly disagreed and 2.7% disagreed). Apart from that, it was also unveiled that the reliability of financial information was also assessed and it was revealed that when the financial information is reliable, the investment decisions can easily be made (52.7% agreed, 40% strongly agreed, 5.3 strongly disagreed and 2.0% disagreed). Table 4.4 below summarizes the findings;

#### Table 4.4: Responses on the Quality of Financial Information

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Statement** | **Responses** | **SD** | **D** | **N** | **A** | **SA** |
| The relevant financial information is an aid for making investment decisions | Frequency | 10 | 12 | 3 | 56 | 69 |
| Percentage (%) | 6.7 | 8.0 | 2.0 | 37.3 | 46 |
| It is easy to make investment decisions when there is understandable financial information | Frequency | 10 | 4 | 0 | 43 | 93 |
| Percentage (%) | 6.7 | 2.7 | 0 | 28.7 | 62 |
| The easy of verification of financial information makes it easy for investment decisions | Frequency | 2 | 10 | 9 | 39 | 90 |
| Percentage (%) | 1.3 | 6.7 | 6.0 | 26 | 60 |
| It is easy to make investment decisions when the financial information is prepared on a periodic basis | Frequency | 6 | 4 | 0 | 56 | 84 |
| Percentage (%) | 4.0 | 2.7 | 0 | 37.3 | 56 |
| The consistency of financial information helps in making investment decisions | Frequency | 6 | 4 | 0 | 60 | 80 |
| Percentage (%) | 4.0 | 2.7 | 0 | 40 | 53.3 |
| When the financial information is reliable, the investment decisions can easily be made | Frequency | 8 | 3 | 0 | 79 | 60 |
| Percentage (%) | 5.3 | 2.0 | 0 | 52.7 | 40 |

**Source:** Research Findings (2022)

## 4.5 The Impact of Financial Statement Analysis on Investment Decisions

In the second objective the study examined the impact of financial statement analysis on investment decisions. Respondents were asked if the analysis of financial statement for companies is helpful in their investment decisions. On this, the study revealed that financial statement analysis helps investors to understand the financial position of the businesses they want to invest (majority of respondents agreed (52.7%) and strongly agreed (40%); on the other hand, 5.3% disagreed and 2.0 % strongly disagreed. The study also discovered that the analysis of financial statements makes it possible for predicting the future performance of the company. These findings were derived from the responses where by most of the respondents strongly agreed (70.7%) and those who agreed (16%), however 1.3% disagreed and 6.0% strongly disagreed and 6.0% were neutral.

Furthermore, it was revealed that when analyzing the financial statements of the company, investors understand the health of the company`s management; the fact was evidenced by majority of respondents who agreed (44.7%) and those who strongly agreed (42.6%) while others disagreed (6.0%) and the rest (6.7%) had a neutral ground. The study further discovered that the analysis of financial statements of different companies helps investors in comparing the performances of different companies before committing their funds; this was evidenced by majority of respondents who strongly agreed (75.4%), and those who agreed (17.3%), nevertheless the same fact was opposed by 1.3% of respondents who strongly disagreed and those who disagreed (6.0%).

Moreover, the importance of financial statement analysis in relation risk identification and risk management was assessed by the study. Findings on this, revealed that the analysis of financial information is useful for estimating the risk of investment (52.7% strongly agreed, 43.3% agreed, 2.7% disagreed and 1.3% strongly disagreed). Findings are portrayed in table 4.5 below;

#### Table 4.5: Responses on Financial Statement Analysis

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Statement** | **Responses** | **SD** | **D** | **N** | **A** | **SA** |
| Financial statement analysis helps me understand the financial position of the companies | Frequency | 3 | 8 | 0 | 79 | 60 |
| Percentage (%) | 2.0 | 5.3 | 0.0 | 52.7 | 40 |
| The analysis of financial statements makes it possible for predicting the future performance of the company | Frequency | 9 | 2 | 9 | 24 | 106 |
| Percentage (%) | 6.0 | 1.3 | 6.0 | 16 | 70.7 |
| When we analyze the financial statements of the company, we understand the health of the company`s management | Frequency | 0 | 9 | 10 | 67 | 64 |
| Percentage (%) | 0.0 | 6.0 | 6.7 | 44.7 | 42.6 |
| The analysis of financial statements of different companies helps us in comparing their performance | Frequency | 2 | 9 | 0 | 26 | 113 |
| Percentage (%) | 1.3 | 6.0 | 0.0 | 17.3 | 75.4 |
| The analysis of financial information is useful for estimating the risk of investment | Frequency | 2 | 4 | 0 | 65 | 79 |
| Percentage (%) | 1.3 | 2.7 | 0 | 43.3 | 52.7 |

**Source:** Research Findings (2022)

## 4.6 The Impact of Financial Information Literacy on Investment Decisions

This study determined the impact of financial information literacy on investment decisions. The essence of the study was to assess the level of literacy of investors in relation to financial information and hence examine how the literacy level influence investment decisions.

On this specific objective, findings of the study revealed that the awareness investors have on financial information is helpful for making investment decisions; most of the respondents strongly agreed (56%) and agreed (35.4%; on contrary few respondents disagreed (1.3%) and strongly disagreed (1.3%) while 6.0% only were neutral. Apart from that, it was exposed that investors always use their financial knowledge for making investment decisions. This was evident from most of the respondents who strongly agreed (64.7%) and those who agreed (21.3%); others disagreed (3.3%), strongly disagreed (2.0%) and the rest (6.7%) were undecided.

It was further discovered that the understandability (the level of investors` understanding of financial information) is useful for making investment decisions as the findings were supported by 44.7% of the respondents who agreed and 42% who strongly agreed. Others were against the fact, 1.3% strongly disagreed, 6.0% disagreed and 6.0% were neutral. Additionally, it was revealed that investors are able to analyze and evaluate financial information useful for investment decisions (52% agreed and 34.7% strongly agreed while 6.0% strongly disagreed and 3.3% disagreed while the remaining 4.0% were indifferent. Also, findings indicated that majority of the investors are able to identify a useful financial information as a result of being literate with financial information (55.3% strongly agreed, 31.3% agreed, 6.0 neutral, 5.3% disagreed and 2.0% strongly disagreed). Findings are indicated in table 4.6 below;

#### Table 4.6: Responses on Financial Information Literacy

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Statement** | **Responses** | **SD** | **D** | **N** | **A** | **SA** |
| The awareness I have on financial information is helpful for making investment decisions | Frequency | 2 | 2 | 9 | 53 | 84 |
| Percentage (%) | 1.3 | 1.3 | 6.0 | 35.4 | 56 |
| I always use my financial knowledge for making investment decisions | Frequency | 3 | 5 | 13 | 32 | 97 |
| Percentage (%) | 2.0 | 3.3 | 6.7 | 21.3 | 64.7 |
| The understandability of the available financial information is useful for making investment decisions | Frequency | 2 | 9 | 9 | 67 | 63 |
| Percentage (%) | 1.3 | 6.0 | 6.0 | 44.7 | 42 |
| I am able to analyze and evaluate financial information useful for investment decisions | Frequency | 9 | 5 | 6 | 78 | 52 |
| Percentage (%) | 6.0 | 3.3 | 4.0 | 52 | 34.7 |
| I am able to identify a useful financial information as a result of being literate with financial information | Frequency | 3 | 8 | 9 | 47 | 83 |
| Percentage (%) | 2.0 | 5.3 | 6.0 | 31.3 | 55.3 |

**Source**: Research Findings (2022)

## 4.7 Investment Decision Making

Investment decision making was also assessed as the dependent variable of the study. Different measures of investment decisions were examined. It was discovered that the decision of where to invest mostly rely on the available financial information (49.3% agreed and 44% strongly agreed; on the other hand, 5.3% of the respondents disagreed and 1.3% strongly disagreed). Additionally, it was revealed that the financial information of different companies is helpful in estimating returns of investments; the fact was supported by majority of them who strongly agreed (64%) and agreed (30%) while other were against by strongly disagreeing (4.0%) and disagreeing (2.0%).

Amount to invest was also one of the main investment decisions to make and it was found that a decision on the amount to invest largely depends on the available financial information as indicated by most of the respondents who agreed (52.7%) followed by those who strongly agreed (39.3%). The same fact was opposed by few respondents who strongly disagreed (5.4%) and disagreed (2.7%). Apart from that findings revealed that the amount of risk to take in investment depends on the available financial information (58.7% agreed, 33.3% strongly agreed, 2.0% disagreed while 6.0% strongly disagreed). Additionally, it was evident that, the larger part of investment decision depends on financial information (58% agreed, 36.7% strongly agreed, 1.3% neutral, 1.3% disagreed while 2.7% strongly disagreed). Table 4.7 below depicts the findings;

#### Table 4.7 Responses on Investment Decision Making

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Statement** | **Responses** | **SD** | **D** | **N** | **A** | **SA** |
| The decision of where to invest mostly rely on the available financial information | Frequency | 2 | 8 | 0 | 74 | 66 |
| Percentage (%) | 1.3 | 5.4 | 0 | 49.3 | 44 |
| The financial information of different companies is helpful in estimating returns of investments | Frequency | 6 | 3 | 0 | 45 | 96 |
| Percentage (%) | 4.0 | 2.0 | 0 | 30 | 64 |
| A decision on the amount to invest largely depends on the available financial information | Frequency | 8 | 4 | 0 | 79 | 59 |
| Percentage (%) | 5.4 | 2.7 | 0 | 52.7 | 39.3 |
| The amount of risk to take in investment depends on the available financial information | Frequency | 9 | 3 | 0 | 88 | 50 |
| Percentage (%) | 6.0 | 2.0 | 0 | 58.7 | 33.3 |
| The larger part of investment decision depends on financial information | Frequency | 4 | 2 | 2 | 87 | 55 |
| Percentage (%) | 2.7 | 1.3 | 1.3 | 58 | 36.7 |

**Source**: Research Findings (2022)

## 4.8 Multiple Regression Analysis

A multiple regression analysis was conducted to measure the relationship between independent variables quality of financial information, financial statement analysis and financial information literacy with the dependent variable investment decision making.

Multiple regressions analysis is a technique for estimating the value on the criterion variable from values on two or more other variables (Burns & Burns, 2008). Table 4.8 below indicates the multiple regressions model summary;

#### Table 4.8 Multiple Regression Model Summary

|  |  |  |  |
| --- | --- | --- | --- |
| **R** | **R Square** | **Adjusted R Square** | **Std. Error of the Estimate** |
| 0.903 | 0.816 | 0.814 | 0.40601 |

Predictors: (Constant), Quality\_of\_Financial\_Information, Financial\_Statement\_Analysis, Financial\_Information\_Literacy

**Source:** Research Findings (2022)

The standard multiple regressions were used to test if the three independent variables (quality of financial information, financial statement analysis and financial information literacy) significantly predict the dependent variable (investment decision making). The results of the multiple regressions indicated that there is a correlation of 90.3% (R = 0.903) between the three independent variables and the dependent variable. Results also indicated that the three predictors explained 81.4% of the variation in investing decision making (Adjusted *R*2= 0.814*).*

Furthermore, all the three independent variables(quality of financial information, financial statement analysis and financial information literacy) were found to positively and significantly influence the prediction of the dependent variable, investment decision making *(β=0.165 p=0.009), (β=0.278 p=0.000)*, *(β=0.428 p=0.000)* respectively. Results are as indicated in table 4.8 below;

#### Table 4.8 Multiple Regression Coefficients

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Unstandardized Coefficients** | **Standardized Coefficients** | **t** | **Sig.** |
| **B** | **Std. Error** | **Beta** |
| (Constant)Quality of Financial Information (QFI)Financial Statement Analysis (FSA)Financial Information Literacy (FIL) | 0.1960.1650.2780.428 | 0.1040.0630.0660.057 | 0.1610.2620.439 | 1.8892.6114.1897.483 | 0.0600.0090.0000.000 |

**Dependent Variable:** Investment Decision Making

**Source:** Research Findings (2022)

From the analysis model Y = α + β1X1 + β2X2 + β3X3 + ε

Then;

*Investment Decision Making = α+β1(Quality of Financial Information) +β2(Financial Statement Analysis) +β3(Financial Information Literacy) +ε.*

Therefore;

***Investment Decision Making = 0.196 + 0.165QFI + 0.278FSA + 0.428FIL + 0.05.***

## 4.9 Discussion of Findings

This section is about the discussion of the findings presented in chapter four above. The discussion of the findings is based on the specific objectives of the study. in the discussion, the study compares the findings obtained in this study and the findings of other studies conducted elsewhere.

## 4.9.1 The Impact of the Quality of Financial Information on Investment Decision Making

On the first specific objective, the relationship between the quality of financial information prepared by companies and the investment decisions was examined. The study findings revealed that different qualitative characteristics of financial information such as relevance, understandability, timeliness, verifiability, consistence and reliability are important for investors to make useful investing decisions. Also, the study revealed that, the quality of financial information has a positive significant impact on investment decision making.

The findings were similar to those found by Amahalu (2020), who investigated the impact of financial statement quality on investment decisions of listed Deposit Money Banks (DMBs) in Nigeria between 2010 and 2019. According to the findings of this study, at a 5% level of significance, Financial Statement Verifiability, Financial Statement Timeliness, and Financial Statement Understandability had a substantial beneficial influence on Return on Equity of listed Deposit Money Banks in Nigeria.

The results were similarly consistent with those found by Bamidele, Ibrahim, and Omole (2018), who evaluated the influence of financial reporting quality on investment decision making by Deposit Money Banks with reference to Zenith Bank Plc in Nigeria. The findings revealed that factors of (Financial Reporting Quality FRQ measures as profit after tax, cash utilized in/from investing, and cash and cash equivalent) had a substantial influence on investment. The results also reveal that Financial Reporting Quality has a substantial effect on Deposit Money Banks' investment (R2 = 0.98; P 0.05).

Similarly, Chan-jane, Tawei, and Chao-jung (2018) discovered a link between investment decisions and financial reporting quality in the setting of family companies’ vs non-family enterprises using a sample of Taiwanese listed firms from 1996 to 2011. Their findings revealed that the quality of financial reporting and financial information has a key impact in boosting investors' ability to make better investment decisions.

## 4.9.2 The Impact of Financial Statement Analysis on Investment Decision Making

On the second specific objective, the analysis of financial statements was examined in relation to investment decision. Findings revealed that, financial statement analysis is useful in various ways such as comparison of performance for different companies or time series comparison of the same company, estimating risks, estimating future performance and making useful investment decisions. Additionally, it was discovered that, there is a significant positive relationship between financial statement analysis and investment decision making by investors.

The results were consistent with those found by other researchers working in a similar situation. Berthilde and Rusibana (2020), for example, examined the role of financial statements in the investment decisions of Rwandan banks, focusing on the Bank of Kigali. According to the findings, financial statement analysis helps investors understand the company before making any investment decisions. They will be able to quickly select a safe area to invest as a result of this.

Similarly, Sanyaolu et al. (2020) investigated the impact of financial statement analysis on Nigerian deposit money banks' investment decisions. Financial statement analysis was discovered to have a strong beneficial combined influence on investment decisions. Sabrin et al., (2016) discovered this as a consequence of a study conducted on secondary data acquired from the annual reports and accounts of the sampled firms in Indonesia from 2009 to 2014. The results of multiple regressions revealed that financial statement examination had a considerable favorable influence on the market value of Indonesian manufacturing enterprises.

Aside from that, Ezejiofor, Rolise, and John-Akamelu (2018) did a study that focused on a comparative examination of the Nigerian telecommunications and banking industries. The t-test result demonstrated that telecommunication businesses' liquidity is lower than that of banks, resulting in an increase in telecommunications investment decisions. The consequence is that financial statement analysis has a major favorable influence on investment decisions in the Nigerian telecommunications sector.

## 4.9.3 The Impact of Financial Information Literacy on Investment Decision Making

Regarding the first specific objective, the study sought to understand how financial information literacy by investors influence their investment decision making. Findings unveiled that; financial information literacy is crucial for making investment decisions. It was further revealed that, financial information literacy helps investors in making decisions based on awareness, knowledge, under stability and evaluation of the available financial information. Above all, findings revealed that, financial information literacy positively and significantly influence investment decision making by investors.

Tarora and Juwita (2017) investigated the impact of financial literacy on investment decisions in the same environment. General Personal Finance Knowledge, Savings and Borrowing, Insurance, Investments, and Investment Decisions are the variables used. The study's findings revealed that all independent factors had a significant influence on the dependent variable, with an Fcount of 134.595. All independent factors have some influence on the dependent variable. The variable General Personal Finance Knowledge has a tcount of 2.918, the variable Saving and Borrowing has a tcount of 8.154, the Insurance variable has a tcount of 3.438, and the variable Investment has a tcount of 4.257.

Furthermore, Alaaraj and Bakr (2020) investigated the impact of financial literacy on investment decision making among South Lebanon investors. The findings revealed a substantial favorable association between financial literacy and investment decision making. Furthermore, Kristanto and Hendry (2020) investigated the influence of financial literacy on Sharia Bank clients' investing decisions. The findings show that financial knowledge influences investing decisions positively. Financial conduct influences investing decisions in a good way. Financial understanding influences investing decisions positively. Financial mindset influences investing decisions positively.

# **CHAPTER FIVE**

# **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

## 5.1 Introduction

This is the last chapter of the study; it gives a summary of the study, its conclusion as well as the recommendations. The chapter also highlights the areas for further study.

## 5.2 Summary of the Study

This study assessed the impact of financial information on investment decision. The study was guided by three specific objectives; the first objective was to assess the impact of the quality of financial information on investment decision, the second objective was to examine the impact of financial statement analysis on investment decision and the third one was to examine the impact of financial information literacy on investment decisions. The study adopted a descriptive research design and a quantitative approach in obtaining data for the study. A total of 150 different investors around the Dar es Salaam Stock of Exchange were conveniently selected to take part in the study. A survey method through questionnaire as a data collection tool was used to collect quantitative data from the selected respondents.

On the first specific objective, the relationship between the quality of financial information prepared by companies and the investment decisions was examined. The study findings revealed that different qualitative characteristics of financial information such as relevance, understandability, timeliness, verifiability, consistence and reliability are important for investors to make useful investing decisions. Also, the study revealed that, the quality of financial information has a positive significant impact on investment decision making.

On the second specific objective, the analysis of financial statements was examined in relation to investment decision. Findings revealed that, financial statement analysis is useful in various ways such as comparison of performance for different companies or time series comparison of the same company, estimating risks, estimating future performance and making useful investment decisions. Additionally, it was discovered that, there is a significant positive relationship between financial statement analysis and investment decision making by investors.

Regarding the first specific objective, the study sought to understand how financial information literacy by investors influence their investment decision making. Findings unveiled that; financial information literacy is crucial for making investment decisions. It was further revealed that, financial information literacy helps investors in making decisions based on awareness, knowledge, under stability and evaluation of the available financial information. Above all, findings revealed that, financial information literacy positively and significantly influence investment decision making by investors.

## 5.3 Implication of Findings

The findings of this study are helpful for financial institutions and bodies in decision making. The study points out the financial information weaknesses to be considered when using them for decision making as a base. These Organizations can be aware of what to consider when making an investment decision.

Also, the findings present important information for investors to make analysis. The study is also helpful in the public in widening knowledge of financial information and the role it plays in investment decision making, it also makes the public to appreciate the importance of sound financial reports in the provision of information necessary for decision making.

Additionally, findings from this study are useful material for other/future researchers who might be interested in assessing the impact of financial statements on investment decision making.

## 5.4 Conclusion

Financial information plays a significant role in various business decisions such as the investing decisions as indicated from the findings. Thus, the financial information should be prepared with good quality to make sure they don’t distort the decisions of the users. Also, the analysis of financial statements plays a crucial role in making investing decisions. This is from the fact that it is the first screening method for assessing the worthwhile of an investment before committing funds into it. However, the analysis of financial information requires a relevant knowledge which investors should have. Since the investing decisions go beyond the numbers which appear in the financial statements.

## 5.5 Recommendations

Since the quality of financial information has a significant impact on investment decision. The financial statements should contain various additional information needed by the investor, which contributes to increasing confidence in the information received from the analysis of the financial statements. In addition to consistency in following accounting methods. The multiplicity of methods makes it difficult to compare a similar institution to another. This also gives an unfair picture of the financial position and performance of the institution and thus makes a misleading financial decision.

Accurate information should be provided on the alternatives available to the financial decision, in order to achieve greater quality of financial decision and timely delivery of information. This will increase the appropriate decision making and honest information resulting from the analysis of the lists to enable financial decision makers to make the appropriate decisions.

Also, the investors should equip themselves with financial information knowledge as it has been found to be very useful in the investment decisions. The investment decisions carry high risks; thus, investors should make sure they have adequate skills for assessing the investments before committing their funds.

## 5.6 Areas for Further Study

The study assessed the impact of financial information of investment decisions. Thus, the focus was on how financial information can be used for investment decisions. However, there are other decisions such as financing decisions and dividend decisions. Thus, other studies should focus on assessing the usefulness of financial information on other decisions apart from investing decisions.

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# **APPENDIX**

**QUESTIONNAIRE**

Dear Respondent,

My name is Joseph Mwankenja pursuing a Master of Business Administration from the Open University of Tanzania. I’m conducting a research on the **“The Impact of Financial Information on Investing Decisions”**. I respectfully call for your cooperation in answering the questions herewith. Your commitment as well as your time in filling this questionnaire will be highly appreciated. Be assured that all the information you provide will be treated as confidential and will be used for this study only. Thank you.

**Section A: Respondents Demographic Information**

**Please circle the correct answer**

1. What is your Gender?
2. Male b. Female
3. What is your age range in years?
4. 18-25 b. 26-33 c. 34-41 d. 42-49 e. 50 and Above
5. What is your education level?
6. No formal Education b. Primary level c. Secondary level d. Certificate e. Diploma f. Bachelor`s Degree g. Masters h. PhD
7. What is your experience with DSE in years?
8. 1-5 b. 6-10 c. 11-15 d. 16 and Above

**Section B: Impact of Financial Information on Investment Decision**

The following table has statements about **impact of financial information on investment decision making** Rate your agreement with each of the statement by using the scale provided in the table below. Rank 1 = Strongly Disagree (SD), 2=Disagree (D), 3= Neutral (N), 4=Agree (A) and 5=Strongly Agree (SA).

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **No** | **STATEMENTS** | **SD** | **D** | **N** | **A** | **SA** |
|  | **QUALITY OF FINANCIAL INFORMATION** |  |  |  |  |  |
| 1 | The relevant financial information is an aid for making investment decisions |  |  |  |  |  |
| 2 | It is easy to make investment decisions when there is understandable financial information |  |  |  |  |  |
| 3 | The easy of verification of financial information makes it easy for investment decisions |  |  |  |  |  |
| 4 | It is easy to make investment decisions when the financial information is prepared on a periodic basis |  |  |  |  |  |
| 5 | The consistency of financial information helps in making investment decisions |  |  |  |  |  |
| 6 | When the financial information is reliable, the investment decisions can easily be made |  |  |  |  |  |
|  | **FINANCIAL STATEMENT ANALYSIS** |  |  |  |  |  |
| 7 | Financial statement analysis helps me understand the financial position of the position |  |  |  |  |  |
| 8 | The analysis of financial statements makes it possible for predicting the future performance of the company |  |  |  |  |  |
| 9 | When we analyze the financial statements of the company, we understand the health of the company`s management  |  |  |  |  |  |
| 10 | The analysis of financial statements of different companies helps us in comparing their performance |  |  |  |  |  |
| 11 | The analysis of financial information is useful for estimating the risk of investment |  |  |  |  |  |
|  | **FINANCIAL LITERACY** |  |  |  |  |  |
| 12 | The awareness I have on financial information is helpful for making investment decisions |  |  |  |  |  |
| 13 | I always use my financial knowledge for making investment decisions |  |  |  |  |  |
| 14 | The understandability of the available financial information is useful for making investment decisions |  |  |  |  |  |
| 15 | I am able to analyze and evaluate financial information useful for investment decisions |  |  |  |  |  |
| 16 | I am able to identify a useful financial information as a result of being literate with financial information |  |  |  |  |  |
|  | **INVESTMENT DECISION MAKING** |  |  |  |  |  |
| 17 | The decision of where to invest mostly rely on the available financial information |  |  |  |  |  |
| 18 | The financial information of different companies is helpful in estimating returns of investments |  |  |  |  |  |
| 19 | A decision on the amount to invest largely depends on the available financial information  |  |  |  |  |  |
| 20 | The amount of risk to take in investment depends on the available financial information |  |  |  |  |  |
| 21 | The larger part of investment decision depends on financial information |  |  |  |  |  |

**Research Clearance Form**