

Financial literacy and households investment choices in Tanzania

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In today's world financial environment has become advanced and complex thus individuals are challenged with broad range of financial and investment decisions. In Tanzania there is an increase in financial inclusion. However, the knowledge on the level of financial literacy and how it contributes to the investment choice and decisions for individuals and households is scanty. Using Fin Scope survey data of 2017, this study examined the effect of financial literacy on household's choice of investment in Tanzania. Specifically, it determined the level of financial literacy and its determinants among households in Tanzania and established the association between financial literacy and investment decisions at household level. The study used supreme feasible elements namely financial knowledge, behavior and attitude to determine the level of financial literacy. It further employed probity and multinomial probity models in order to examine factors influencing financial literacy and establish the association between household investment decisions respectively. Regarding the first objective, results reveal that there is low level of financial literacy among respondents. Further, education level (primary and secondary), gender, source of information, risk attitude and location positively determine household level of financial literacy and the coefficients of variables were statistically significant. Moreover the results indicate that financial literacy and household investment choices are positively related, however, financial literacy found to have significant effect only on agriculture investment. The study results imply that household heads with high financial literacy have higher probability of making proper investment therefore; the government should institute education policies that incorporate financial literacy so as to equip citizens with financial knowledge. Consequently this will lead to better understanding of investment matters.