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ABSTRACT NO. 13

Empirical Investigation of Moderating Influence of Financial Literacy on the Relationship between Investment Behavior and Investment Decisions

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ABSTRACT

Investment decisions of SME's play a significant role in the economic development of Kenya. This is because profitable investment projects result to financial prosperity of an enterprise. Despite adequate support by the Kenyan government through introduction of single business permits as a solution to business licensing problems, provision of grant funding and offering business training, SMEs continue to face serious challenges in making rational investment decisions which result to great financial losses. The study therefore sought to examine the moderating influence of financial literacy on the relationship between investment behavior and investment decisions among small and medium enterprises in Nairobi City County. The specific objectives of the study were; to determine the influence investment behaviors on investment decisions and to find out the moderating influence of financial literacy on the relationship between investment behavior and investment decisions among SME's in Nairobi City County. The study was anchored on human capital theory. The study used descriptive and cross-sectional research designs. The target population for the study was 1,842 registered SME's operating within Nairobi City County while the sample size was 185 respondents. The study used semi structured questionnaires to collect primary data. Data was analyzed using descriptive and inferential statistics. The findings revealed that investment behavior positively and significantly influence investment decisions. Further the study established that financial literacy positively and significantly moderated the relationship between investment behavior and investment decisions among SMEs in Nairobi City County. The study recommended that the Kenyan government should collaborate with established financial institutions in pursuit to over business training programs to SME's and business owners. In addition, the SME's should continue taking financial education courses so as to gain financial expertise to enable them make prudent investment decisions. Finally, the Kenyan government should incorporate financial literacy courses in the education curriculum so that students can gain financial skills and knowledge at an early age.

Key Words:

Financial Literacy, Investment Behavior and Investment Decisions