

DEPARTMENT OF BUSINESS MANAGEMENT

RESEARCH PROPOSAL

YOUNG ADULTS' PERCEPTION OF INVESTMENT PLANNING

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DECLARATION

We, Unathi Thisani and Ruvimbonashe Doreen Munyoro, hereby certify that:

- the content of this treatise title, “Young adults’ perceptions of investment planning”, is our own original work;
- sources used and quoted have been acknowledged and documented by means complete references; and
- this treatise has not been previously submitted for a degree at any other tertiary institution

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ABSTRACT

Being financially literate is advantageous for young adults as they can make effective decisions with all of their financial resources providing them with financial security that will sustain their life after retirement. Unfortunately there are various factors that hinder young adults from investing, whether it is in the planning phase or making investments.

Given the lack of research on factors that influence young adults' investment planning (also referred to as investment behaviour), the objective of this research is to investigate the factors that influence *Young adults' perception on investment planning* in the Nelson Mandela Metropole.

After conducting a comprehensive literature study, five independent variables namely, *Investment knowledge, Values, Attitudes, Time horizon, Risks and Returns* were identified as influencing the *Investment behaviour* (dependent variable) of young adults. Hypotheses formulated were tested in the empirical investigation.

The validity and reliability of the measuring instrument was tested using an Exploratory Factor Analysis and Cronbach alpha coefficients revealing that *Values, Attitude, Time horizon, Risks and Returns* were important factors that influence *Young adults' perception on investment* therefore, the hypotheses had to be reformulated.

The Pearson Product Moment Correlation was calculated to measure the association between the variables. There were positive correlations between all variables except between Time Horizon and Values.

A multiple regression analysis was conducted to investigate the existence of relationships between the independent variables and the dependent variable. The variable with the highest significance in influencing *young adult's perception on investment planning* was *Risk and return*.

Through the investigation of the young adults' perception on investment planning this study has contributed to the body of knowledge. Recommendations have been made to assist young adults in their journey to financial and investment success based on the empirical results.

KEY WORDS: Investment Planning, Financial Planning, Young Adults

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CHAPTER 1

INTRODUCTION OF THE STUDY

1.1 INTRODUCTION AND BACKGROUND TO THE STUDY

When a financial pandemic swept over the rest of the world in 2018, South Africa set a new investment record, with the private equity fund growing up to R103 billion, which was 3.2% of the gross domestic product (GDP) (Angel investment network, 2018). This was well above the R147 billion which was the countries average over the past ten years (Smith, 2018).

Even though this is the case, the Eastern Cape, which is one of the nine provinces in South Africa, is still considered one of the most underdeveloped provinces in the country (Matavire, 2018). This is the result of unequal distribution of wealth and under development of the economy steaming from the failure of the province to fully recover from the 1948 -1994 Apartheid period (Ntingi, 2016). To combat this, the South African government has implemented new polices in order to create jobs, boost the income levels of individuals thus, creating an economic balance (Ntingi, 2016). The occurrence of this has led for more individuals to have money to save, leading to an increase in individuals' interest in investment.

Investment is regarded as a present sacrifice for a future benefit. Individuals, firms, and government organisations are all in a position to decide whether or not to invest, and to choose which investment option is most suitable for them amongst the ones that are available (Nwibo & Alimba, 2013:60). Individuals can choose to invest in either short-term deposits which consists of call accounts and money market funds or under medium and long-term deposits which include stocks, bonds and annuities (Botha, Geach, Goodall, Du Preez, Rabenowitz & Rossin, 2018:600). Lusardi, Keller and Keller (2009:10) stated that there are three barriers that individuals face when making an investment decision. This consists of not having enough knowledge about the investment options that are available, not knowing where to start the investment process and the lack of self-control when handling one's finances.

Therefore, it has become evident that individuals differ substantially in the investment options that they choose because they face different costs of planning and make use of different means of learning to obtain information regarding the most suitable option for

them (Lusardi, 2001:6; Lusardi & Mitchell, 2007). Thus, individuals rely on several sources of information when making investment decisions.

Choosing to invest and where is a difficult decision and can be challenging due to the high level of risks. Once an investment is made, the success is dependent on a group of managers who manage the funds (Davar & Gill, 2007). Macro and Paolo (2010) inferred that the approach used by investors in allocating individuals' funds depends on their skills and the ability to learn from past experiences. Therefore, investors will not always make the correct decisions, thus making it more important that individuals are well informed before they make an investment decision. Therefore, the main focus of this study is to determine the factors that influence the investment planning (behaviour) of young adults.

1.1 PROBLEM STATEMENT

According to Old Mutual (2018a), millennials are saving but not investing. Research into the behaviour of employed millennials and, young adults, aged 18 to 34, showed that 69% have savings accounts whereas only 44% are investing (Old Mutual, 2018b). In addition, 61% of young adults surveyed stated that they were saving using their bank accounts. This form of saving does not provide long term benefits due to how the interest obtained from growth seldom beats inflation.

With this generation preferring not to be formally employed and only starting to save for retirement late in their working lives, their failure to invest could have devastating effects on their financial freedom and retirement (Old Mutual, 2018c). Although saving without investing may seem viable over the short- to medium- term, savings are not a sufficient means of securing long-term financial security. Even for those who save reasonably well over time, their failure to invest effectively puts them at risk of inflation. (Old Mutual, 2018b).

As only 61% of millennials choose to save money in a bank account, there is a lack of understanding in the difference between investing and saving. Only 53% of the respondents did know what a unit trust is, showing lack of knowledge regarding investments. (Old Mutual, 2018a). Saving is temporary with short-term benefits, whereas investing builds wealth and secures a source of income for future use as a replacement to a salary (Old Mutual, 2018c). Therefore, there is a need for information to be available to the general public concerning the guidelines to investing, the investment opportunities

available to young adults, and the investment behaviour and the effects of investing on the economy and retirement to ensure financial freedom of young adults.

The problem statement is that there is a lack of investing amongst young adults, therefore this study will focus on what factors influence the investment behaviour of young adults.

1.2 RESEARCH OBJECTIVES

The objectives of the study consist of primary, secondary and methodological objectives which will be formulated in the following sections.

1.3.1 PRIMARY OBJECTIVE

The purpose of the study is to investigate the factors influencing investment behaviour of young adults.

1.3.2 SECONDARY OBJECTIVES

The following secondary objectives have been formulated to address the primary objective of this research and include:

SO¹ To investigate whether young adults engage in investment activities.

SO² To determine what factors influence investment behaviour.

1.3.3 METHODOLOGICAL OBJECTIVES

In order to achieve the primary and secondary objectives of the study, the following methodological objectives have thus been formulated:

MO¹ To conduct a literature review of the various factors influencing investment behaviour and of the investment behaviour of young adults.

MO² To propose a hypothesised model that reflects the relationships between the independent variables and the dependent variable (investment behaviour).

MO³ To determine the appropriate research design and methodology to address the identified research problem and research objectives of the study.

MO⁴ To develop an appropriate measuring instrument that will be used to collect data that can be empirically tested to determine whether the independent variables have an influence on the dependent variable.

MO⁵ To provide recommendations based on the results from this research to young adults about the different investment schemes available to them and to financial planners regarding the factors influencing the investment behaviour of young adults.

1.3.4 RESEARCH QUESTIONS AND HYPOTHESES

Several research questions are formulated to aid in guiding the study. The research questions are as follows:

RQ¹ What are the factors that influence individuals' investment behaviour?

RQ² What knowledge do individuals' have about investment?

RQ³ What investment activities do individuals participate in?

Therefore, the following null hypotheses are formulated to assist in the attainment of the primary objective:

H₀¹ There is no significant relationship between investment knowledge and investment behaviour of young adults.

H₀² There is no significant relationship between values and investment behaviour of young adults

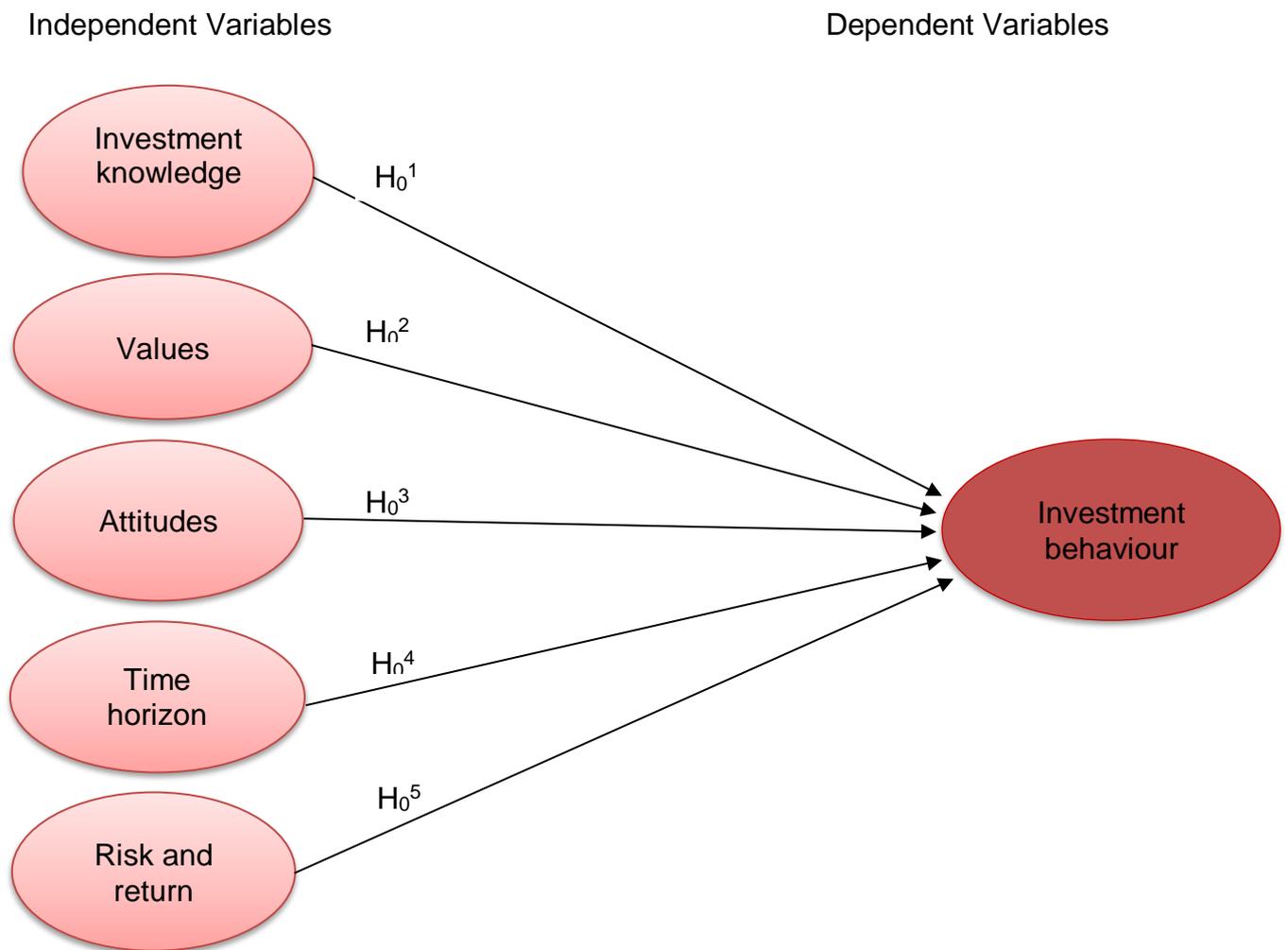
H₀³ There is no significant relationship between attitude and investment behaviour of young adults

H₀⁴ There is no significant relationship between time horizon and investment behaviour of young adults

H₀⁵ There is no significant relationship between risk and return and investment behaviour of young adults.

Based on the formulated hypotheses, the hypothesised model presented in Figure 1 is constructed to be empirically tested in this study.

FIGURE 1: HYPOTHESES MODEL OF FACTORS INFLUENCING INVESTMENT BEHAVIOUR OF YOUNG ADULTS



Source: Researcher's own.

1.4 LITERATURE REVIEW

There is a need for literature review to be conducted to gain knowledge regarding the concepts of investment and young individuals' perception on it.

1.4.1 OVERVIEW OF INVESTMENT BEHAVIOUR

Sarkar and Sahu (2018:1) concurred with Botha *et al.* (2018:762), Hietanen (2017:3) and Ansari and Moid (2013:27) when defining investing as a deployment of funds to investment vehicles, such as shares, bonds and certificates of deposits with the expectation that returns will be earned over a period of time. Investments have two

attributes, namely, risk and time. Risk is where a sacrifice is certain, but the future return is uncertain (Sarkar & Sahu, 2018:1). Investing will allow for the creation of wealth over time. It is imperative for one to note that there is a major difference between investing and saving even though these words are used interchangeably. Saving is seen as money put aside for future use which was left over from disposable income after consumption has been made (Achar, 2012:266; Botha *et al.*, 2018:763; Samudra & Burghate, 2012:43). Saving provides funds for unexpected financial emergencies and makes provision for purchases in the short-term. The most common ways to save money consists of depositing funds into a bank savings or checking account where it can be easily available and withdrawn at any time without penalty. On the other hand, placing savings funds into a return earning avenue will be investing since its focus is on increasing wealth and achieving future financial goals (Achar, 2012:268; The World Bank, 2010:65). Therefore, the difference between saving and investment is access to money, return on funds, length of saving and availability of funds.

The transition from financial dependence to independence for young adults, as they enter adulthood, requires learning financial management skills. This is an essential developmental task that is undertaken during this stage. The financial practices they learn as well as the habits acquired are influential in the financial decisions they make (Shim, Xiao, Barber & Lyons, 2009:709). Being financially literate is advantageous for young adults investing early as they are able to grow their money over a long period of time. Shares, mutual funds and bonds are vehicles that offer good returns over time. The returns continue to build and create wealth leading to future financial freedom which allows the attainment of long-term goals. Investing from a young age also allows room for benefits such as time, compound interest and experience (Invest Provident, 2017). In addition, investing early allows for the pursuit of investment opportunities that are high risk but high return (The Clare, 2018). The younger an individual is when beginning to invest, the greater the individuals' ability to withstand risk. Younger individuals having more productive earning years allowing them to be risk tolerant whereas those approaching retirement are more risk averse (Invest Provident, 2017).

There is a substantial threat to the financial and economic well-being of young adults today. One of the hindrances of individual growth is the high unemployment rate of the country (Writer, 2019). South Africa's unemployment rate has been one of the highest in the world since 2003, sitting at 27.1% at the end of 2018. This means that 6.1 million

individuals, of the 22.6 million labour force are unemployed (Fin24, 2019). Writer (2019) found that of the 27.1%, 6.3% of these individuals have a tertiary qualification. The lack of employment has resulted in many young individuals in debt before employment, meaning their large student loans are a means of delay in what is meant to be years of accumulation of wealth (Lusardi, Mitchell & Curto, 2009; Shim *et al.*, 2009:708; Xiao, Chatterjee & Kim, 2014:395). Moreover, these debt loads are of particular concern since many young people lack the financial knowledge and expertise to make financially sound decisions. Thus, individuals must be able to confront complicated financial decisions at a younger age to avoid making financial mistakes as these decisions could be detrimental in their transition into adulthood (Shim *et al.*, 2009:709).

For this purpose of the study, investment behaviour is an investor's attitude or behaviour as they search, purchase, review or evaluate investment opportunities to satisfy a need.

1.5 RESEARCH DESIGN AND METHODOLOGY

To have the ability to analyse the research objectives of this study, the research is divided into two categories, namely secondary and primary research.

1.5.1 SECONDARY RESEARCH

To achieve the primary objective of the study, the secondary research will consist of an extensive literature review to identify the factors influencing the investment behaviour of young adults. A comprehensive literature search will be conducted through the collection of secondary data from the internet, books and journals. Through the use of the Nelson Mandela Metropolitan University library, International and national data searches will be conducted and to this day include: Sabinet databases; ISAP (National library of South Africa) and Sae Publications; EBSCO: MasterFile premier, Business Source premier, Academic Source premier; SA Cat and FS Worldcat; ScienceDirect; FS Articles First; Kovsidex UPECAT; Google searches; Dialog and Dissertation Abstracts database.

1.5.2 PRIMARY RESEARCH

Primary data will be collected through the use of a measuring instrument from a sample selected to participate in the research.

1.5.2.1 Research design, paradigm, and methodology

Walliman (2011:13) defines a research design as a framework of methods and techniques that analyses all the problems that need to be achieved in an empirical research. Moreover, the research design provides insight on the means and ways of conducting research, the methods to be used to collect and analyse the data, and also in stating which research methods are appropriate in one's research question. There two types of research that can be adopted in a study, namely; qualitative and quantitative research. Qualitative research, which is a phenomenological paradigm, is exploratory research and consists of non-numerical data as it focuses on understanding opinions, reasons and motivations (Cassell & Symon 2004:2; MacKenzie & Knipe, 2006:195). Yilmaz (2013:311) concurred with Creswell (2003:18), Aliaga and Gunderson (2002) describe the quantitative approach as a method used to quantify a phenomenon through gathering data in numerical form which will be analysed with the aid of mathematical methods in statistics. Quantitative research is also known as a positivistic paradigm since it finds that valid knowledge can only be derived from exclusive sources and verified data (Mackenzie & Knipe, 2006:194).

This approach focuses on the cause and effect of an event, correlation, hypotheses and the analysing of the theories employed through the use of experimental surveys (Aliaga & Gunderson, 2002; Yilmaz, 2013: 311). A Quantitative method uses pre-determined response categories on the research instrument where the perspectives and experiences of the participant are expected to fit. (Yilmaz, 2013: 313). A large sample is used in order to ensure generalisation of their results from the sample where this data will be used to answer questions such as who, what and how many, and also how individuals' attitudes, opinions and behaviours impact the variables being analysed (Apuke, 2017:40; Struwig & Stead, 2013:4). Therefore considering the method in which the data is to be collected, quantitative research is the most appropriate research methodology

1.5.2.2 Population, sampling and data collection

Taherdoost (2016:19) defines a population as a group of phenomena who usually have a mutual, binding trait that meets the criteria specified for a research study. A research population is generally a large group of individuals that are the main focus of a study. Therefore, the population for this study is all adults located within the Nelson Mandela Metropolitan area. However, due to the immensity of the population, researchers cannot test every participant due to high costs and lack of time thus resulting in researchers

having to rely on sampling techniques (Drew, Hardman & Hosp, 2008:83). A sample is simply a portion of the population. The sample must be a true reflection of the population from which it was drawn thus, allowing researchers to conduct the study from the sample with the results derived being able to be used to make conclusions for the entire population (Taherdoost, 2016:20).

Elfil and Ahmed (2017:1) concurred with (Struwig & Stead 2013:116) stating that there are two major categories of sampling namely; probability sampling, where everyone in the targeted population has an equal opportunity of being selected in the sample, and non-probability sampling where a non-systematic process is used on the population to select the sample as it does guarantee that all members in the population have an equal chance to participate in the study. Therefore, the current study will make use of the non-probability sampling method being that the probability of any member of the population being chosen is unknown.

1.5.2.3 Design of the measuring instrument

A self-administered questionnaire will be utilised as a measuring instrument and thus distributed to the respondents, young adults between the ages of 18 and 35 in the Nelson Mandela Metropole. The questionnaires will consist of two sections, namely, Section A and Section B. Section A will consist of items on the factors that influence the investment behaviour (IB) of young adults and also what their perceived (IB) is. Section B will consist of biographical data of the respondents that will be sourced using ordinary scale items. A cover page will also be utilized to provide the respondents with the purpose of the study, the rights of the respondent and the amount of time it could take to complete the questionnaire.

1.5.2.4 Data analysis

Quantitative research aims to find reliable and valid information. Therefore once the data is obtained, the data will be captured in MS Excel and go through an analysis process using Statistica. The measuring instrument, the questionnaire, will be tested for content validity (pilot study), face validity (expert opinion), construct validity (exploratory factor analysis), and reliability (Cronbach's alpha coefficients).

1.6 DEFINITION OF KEY WORDS

Table 1.1 summarises the key words used in the study.

TABLE 1.1: SUMMARY OF KEY WORDS

Key words	Definition	References
Investment	Placement of funds in investment vehicles with the expectation that returns will be in the future.	Sarkar & Sahu (2018:1)
Investor	An individual or group of individuals that put money in an organization or business to make a return (profit).	Botha <i>et al.</i> (2018:720)
Investment behaviour	Relates to individuals' attitude towards risk and the factors that influencing the decision to invest	Ansari & Moid (2019:1)
Perception	The belief or interpretation of something especially with the senses.	Merleau-Ponty (2013)
Investment knowledge	Knowledge and understanding of financial concepts and risk and also the ability to apply such knowledge to make financially responsible decisions.	OECD (2017)
Values	Beliefs about what is desirable, worthwhile and what determines ones' priorities.	Vitt (2004:71)
Attitudes	A psychological tendency, that responds and expresses the way that people feel and think.	Hietanen (2017:3)
Investment/time Horizon	Is a paramount to investing as it implies the amount of time investors hold their portfolios based on profit, in compensation for the risk in investing	Parker (2011:6)
Risk and risk return: Risk	The probability that a return on an investment will be significantly lower than the expected return.	Lee (2013)
Risk and risk return: Return	The profit/income of an asset or loss involved in owning an asset.	Lee (2013)

1.7 STRUCTURE OF THE STUDY

The study is composed of five chapters.

CHAPTER 1: INTRODUCTION TO THE STUDY

This chapter serves as an introduction and orientation to the study. The problem statement will follow where the research objectives, which include the primary, secondary and methodological research objectives, will be formulated where this will act

as the structure of the study. The research questions and hypotheses will be clarified and put forward. A literature review which is composed of previous similar studies that have been done which will be used to support this study. The scope of the study, demarcation and significance of the study will then be stated with also any limitation that could be faced during of the study also clearly indicated. The chapter will conclude with the division of the research into its prospective chapters.

CHAPTER 2: OVERVIEW ON YOUNG ADULTS INVESTMENT BEHAVIOUR

The focus of this chapter will be to define young adults and to describe the factors influencing investment behaviour.

CHAPTER 3: RESEARCH DESIGN

The research design and methodology will be the focus of this chapter. The chapter will examine the population, sample and sampling techniques used to acquire data. The measuring instrument to be utilised and the primary data collection method from respondents will be explained. The chapter will conclude with the statistical techniques used to analyse data.

CHAPTER 4: EMPIRICAL RESULTS

Primary data collected will be presented in this chapter where it will be discussed and tabulated into categories. Research outcomes and the correlation among variables will be analysed. The hypothesised relationships will be tested, and the results will be reported.

CHAPTER 5: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

In the final chapter a summary of the literature review and empirical research will be presented. Conclusions according to the empirical findings regarding the factors influencing young individuals' investment behaviour will be made. Furthermore, reflection of the processing chapters and the limitations faced will be discussed. This will be concluded by providing recommendations to young individuals and financial advisors on methods that could be implemented to increase investment knowledge of individuals and ensuring sound investment decision making

CHAPTER 2

FACTORS INFLUENCING INVESTMENT BEHAVIOUR OF YOUNG ADULTS

2.1 INTRODUCTION

Chapter One provided an outline of the study and a brief insight into investment behaviour. The definition of investments was given and the benefits of young adults investing at a young age was provided. The primary objective of this study was stated as well as the factors influencing investment behaviour of young adults. One of the secondary objectives formulated to assist in achieving this primary objective, was to investigate whether young adults engage in investment activities. Therefore this chapter will address young adults and an overview of the factors influencing investment behaviour. The chapter will conclude with a summary of the chapter.

2.2 YOUNG ADULTS

The transition from childhood into adulthood is a complicated process in that individuals move away from parental dependence and start taking measures to achieve financial, residential and emotional independence (Jekielek & Brown, 2005:1). This transition can be a period of growth and success especially with the guidance and assistance of the community and a stable home that can provide financial support, access to education and life skills (Jekielek & Brown, 2005:1).

Shim *et al.* (2009:709) and Petry (2002) define young adults as individuals between the ages of 18 and 35 who are in a period of self-growth and development. This group of individuals includes people that are in varying aspects of life; in college or university, seeking employment, working full time or part time, married, single, parents and those that are not. Young adulthood is the period of life where people experience varying changes and build a sense of self (Shanahan, 2000; Xiao *et al.*, 2014:394). This is normally the planning phase of life where individuals plan for the purchase of cars or homes, marriage, travel and other future goals.

The young adults of today experience milestones later than previous generations, experiencing what was common to the older generations in their twenties only in their thirties. According to Vespa (2017:2) and Xiao *et al.* (2014:394), demographers suspect the representation of a new era between childhood and adulthood where young adults experience life events in a different order in comparison to their parents. However, many

young adults experience setbacks which may hinder them in achieving their full success such as failing to secure employment, imprisonment or dropping out of school. These events have drastic effects and make the transition into adulthood difficult (Jekielek & Brown, 2005:1). A young adult's inability to finish school due to pregnancy or imprisonment has the ability to compromise the young adults' ability to provide for themselves, increasing the risk of their offspring experiencing a similar outcome. Vespa (2017:2) found that there has been a great change in the pace of growth of young adults over the last 40 years. Moreover, the experiences of today's young adults differ substantially from what young adults experienced in the 1970s in that, today individuals are getting married and starting families later in life since more people are going to university and are able to live independently of their parents.

According to Levinson (1978), the life cycle consists of a sequence of eras. Each era with its own psychological and social characteristics, making a distinctive contribution to an individuals' whole life. The move from one era to the next does not occur with ease or at a fast pace but rather through cross-era transitions, each lasting for about five years and which span the time period from the end of one era to the start of the next consisting of seven stages (Levinson, 1978). Stage one consists of the transition of the early adult (ages 17 to 22). This is the first step into an individuals' independence as they decide what they want to do with their lives. Individuals will choose to either go off to university or enter the workforce. At this stage the individual is still dependent on their parents for guidance and financial assistance.

Stage two consists of ages between 20 and 24 and is a transitional period usually entailing the young adult moving out of the family home and establishing some distance physically and psychologically, from the family (Levinson, 1978). This is a period of establishing a sense of true self and independence. The adult world, ranging from early twenties to late twenties (27 to 29) is regarded as a time of exploration as well as commitment to professional and interpersonal adult roles. Individuals in this age group form a life structure. Stage four are individuals who are in their early 30s to early 40s who are have career accomplishments and are well established and have settled down and started to have a family and children and are building a home (Levinson, 1978). An individual will enter a mid-life transition at age 40 to 45. This time period is sometimes one of crisis. Neglected parts of one's, life such as aspirations and dreams, seek expression and individuals begin to evaluate their life choices as their values and

priorities start to change. It is then that people begin to think about death and leaving a legacy (Levinson, 1978).

Levenison (1978) further stated that ages 45 to 50 will be stage six of an individual's life cycle as they enter middle adulthood. In this stage, choices about retirement need to be made and people begin to commit to new tasks and continue to think about their legacy. The final stage is late adulthood (age 60+) where the individual reflects on life and the decisions they have made (Levenison, 1978).

Individuals in the 18 to 35 age brackets are the main focus in investing because they are a group with little to no activity in investing. Young adults have the capabilities of fully taking advantage of investing for future financial freedom through the understanding of the importance of investment planning, the guidelines to investing, the investment opportunities available to young adults, the investment behaviour and the effects of investing to ensure financial freedom of young adults.

2.3 OVERVIEW ON FACTORS INFLUENCING INVESTMENT BEHAVIOUR OF YOUNG ADULTS

Change is inevitable, however, one factor remains constantly important, money. According to Ansari and Moid (2013:1), investment behaviour relates to individuals perceived attitude towards risk and the factors that influence the searching, acquiring and reviewing of the investment products made available. Lusardi (2013) alluded to this by stating how individuals' expectations of the future and their past economic circumstances will also play a pivotal role in their investment decision making.

2.3.1 INVESTMENT KNOWLEDGE

For the purpose of this study, investment knowledge refers to young adults having knowledge about the investment options made available to them; how investment knowledge can be passed down through individuals and how lack of this knowledge will impact their financial decisions.

Individuals' may differ substantially in the investment options they choose because they face different costs of planning and make use of different means of learning in order to gather information about what would be the most suitable option for them (Lusardi, 2001 Lusardi, 2008). Investment knowledge is important for individuals as it not only affects everyday activities, but it also impacts ones long term financial decisions. The

Organisation for Economic Co-operation and Development (OECD) (2017) defines financial literacy as not only the knowledge and understanding of financial concepts and risk, but also the ability to apply such knowledge to make financially responsible decisions ensuring financial security in an individual's lifetime. Xiao *et al.* (2014:399) concurred with Lusardi *et al.* (2009:4) and with Shim *et al.* (2009:717) in stating that financial knowledge among young individuals is strongly influenced by family background as individuals whose parents have tertiary knowledge and invest in bonds or annuity funds, were more likely to make sound financial decisions and be informed of risk diversification.

Shim *et al.* (2009:720) furthered this by stating how parent's communication with children about money also influence their future financial activities in two important ways. Firstly, parents having conversations with children about money management as they grow older plays a significant role in one's view and knowledge of money. This is because the more parents discuss financial matters with their children, the more likely they are to learn about financial responsibility resulting in positive financial attitudes (Shim *et al.*, 2009:720). Secondly, a parent's expectations in how their children handle finances can play a significant part in predicting their financial attitudes and behavioural intentions. This finding stems from the idea that suggests that positive anticipated outcomes of financial behaviour from parents have an impact on children's attitude toward money to the extent that a parent's view on budgeting, paying credit-card balances in full, and saving money will lead to the children holding a similar attitude towards their finances (Shim *et al.*, 2009:720). Therefore, parents should begin discussing sound financial management practices as well as demonstrate those practices within the home as the children mature. Thus, financial knowledge can be passed down through generations.

Due to this increase in complexities that pertain to financial products and services, individuals find it difficult to make financial decisions. A survey conducted by Behrman, Mitchell, Soo and Bravo (2010) revealed that when individuals were asked to estimate how much they would need to invest in order to ensure financial security for retirement, many of them faced significant retirement investment shortfalls. Thus, financial literacy has a remarkable influence on financial behaviour in that people with low financial knowledge are less likely to participate in any investment scheme since they do not deem them as beneficial (Van Rooij, Lusardi & Alessie, 2007:4) and when they do, their lack of financial literacy has been proven to affect both saving and investment behaviour,

debt management and borrowing practices (Lusardi, 2019:8). Therefore, financial literacy is essential for decision making that is financially sound.

A survey which found that 84% of university students recognised the need for more education on financial management especially in their first year of school. 64% of the students would have found it more beneficial to be taught about financial management topics in high school (Lusardi *et al.*, 2009:7). The availability of information on financial management in schools will not only benefit young individuals but society as a whole by making those that would not have had access to such information, financially literate (Lusardi, 2019:8). Investing is a learning curve that requires individuals to have knowledge about markets and the refinement of strategies to avoid pitfalls. Investing is important and requires individuals to be financially literate. Young adults having investment experience from a young age have a greater probability of future investment success.

2.3.2 VALUES

Beliefs and values among individuals vary considerably. Values are defined as one's principles or standards as it clarifies, channels and validates individuals' behavioural outcomes as it refers to a fundamental belief about what is desirable, worthwhile and also determines ones' priorities (Achar, 2012:270; Agyemang & Ansong, 2016:943; Botha *et al.*, 2018:40; Shim, 2009:711; Vitt, 2004:71). Values are an indication of what people see as important and is represented by the things that they spend their time and money on. People do not waste scarce personal resources on things that they deem to be of little value (Agyemang & Ansong Ansong, 2016:943). Value gives rise to three elements which are the cognitive, affective and directive elements which guide individuals' actions and possess a powerful motivational component (Agyemang & Ansong, 2016:944; Pezeshkpur, 1975:8). Values play a vital role in determining ones' personal goals and in all the decisions one makes, including financial decisions. Thus, in deciding what to invest in, individuals need to determine how they want their life to look in both the present and future (Agyemang & Ansong, 2016:946; Pezeshkpur, 1975:8). In doing so, this will result in the investment behaviours of individuals to be an expression of their personal values therefore, leading to maximum financial satisfaction.

Albrecht (2018) concurred with Agyemang and Ansong (2016:947) and Pasework and Riley (2009) stating that when young individuals make their investment decisions, they

are more likely to choose “socially responsible and ethical investments” since this is more in line with their individual values. They alluded to this by stating how 60% of millennials hold the belief that they can invest and make money as well as make a meaningful contribution to society by investing in socially responsible businesses that encourage equal rights and produce safe and relevant products. Therefore, investors wish to put their funds to work in a way that is more closely connected to their personal values (Agyemang & Ansong, 2016:947).

It is important to realise that there are some value factors that would hinder one from participating in investment activities with the key one being materialism. Friesen and Hibbing (2016:6) define materialism as having money and the possession of physical or material items carry more meaning and provide a sense of success and happiness in an individual’s life. With high levels of materialism there is a close link between the possession of material goods and ones’ own happiness. Some individuals value material items because they are a statement, an expression of success or wealth in life. Whereas other’s see the possession of extravagant material items as vital to one’s life (Friesen & Hibbing 2016:7). Comins (2013) found that more young people in South Africa are driving expensive cars, living expensive lives and throwing lavish parties to show off their wealth without considering the consequences of these actions and making financial preparations for the future. Materialism has been linked to impulse buying which results for individuals to be less capable of saving thus, resulting for one to be at high risk of acquiring debt in order to satisfy their lifestyle (Friesen & Hibbing 2016:7).

Vitt (2004:71) found that individuals who also place great value on friends and family may lead to spending money on things that they cannot afford. Thus, the importance of friends and family could result in an individual acquiring debt before their life even begins. Therefore, it is of great importance that individuals’ values are determined since it plays a key role in the investment behaviour of individuals.

For the purpose of this study, values are defined as what young individuals place as priority in their lives and how beliefs, family and goals play a role when making investment decisions.

2.3.3 ATTITUDE

Attitudes of individuals is another factor that contributes to ones' investment behaviour. In order to fully understand how individuals behave and what moulds their attitudes towards investing, one needs to look at psychology. Psychology is a field of study that tries to understand people and defines individuals' attitude as a psychological tendency that responds positively or negatively, that expresses the way that people think and feel about, issues, people, events and even money (Hietanen, 2017:3). An individual's attitude towards money is formed in the process of developing personal experience of dealing with financial matters and is also driven by present and future decisions, ones' culture, family and religion (Simkiv, 2013:36). Young adults must make daily decisions without parental assistance, one has to examine the extent to which young adults may be influenced by their own perceptions of money when it comes to personal financial behaviour. With the theory of planned behaviour, which was developed by Icek Ajzen which analyses individuals behavioural intentions which is shaped by ones attitude towards behaviour, subjective norms, and perceived behavioural control (Ajzen, 2011:1116), Shim *et al.* (2009:711) finds that young adults' financial behavioural intentions will be determined by individuals attitudes toward money, individuals level of financial control and the norms that young adults learn from their parents. Therefore, these intentions will determine the financial standard one wants to achieve through managing ones' cash and debt wisely and shielding individuals from spending beyond their means.

Hietanen (2017:10) identified two types of personality groups based on money attitudes which consist of independent people who hoard money in order to ensure financial security so as to minimise vulnerability and, power grabbers who obtain pleasure from people's attention and admiration by possessing money. Simkiv (2013:37) found that young individuals are more likely to use money as a means to influence other people and are less concerned about financial soundness and stability as compared to older people. In a survey conducted by Collard and Breuer (2009:28) among individuals aged between 22 and 29 years old when asked about financial preparations for the future many would say 'I don't worry about it every day, it's only because we're talking about it now, it's made me think about it'. Therefore, individuals with no private pension or investments generally considered investing for retirement to be a low personal priority,

at least at the present time (Collard & Breuer 2009:28). Thus, young individuals generally prioritise living for the present instead of investing for the future. The lack of importance and procrastination placed on making investment decisions will likely result in less favourable investment choices to be made which results in individual's financial needs not to be met therefore, one will not have funds to sustain them through their pension plan (Collard, 2009:8).

However on the contrary, individuals who already had a personal pension generally considered investing for retirement to be of high personal priority (Collard & Breuer 2009:28). The main reason for this was the need to provide financial security and a decent standard of living for themselves in the future. In contrast to young individuals' behaviour, older individuals with families priorities spending on their children and home and ensure to make sufficient plans about their expenses in order to ensure financial soundness and security for the future (Collard & Breuer 2009:28).

For the purpose of this study, attitudes refer to how young individuals' view of money plays a role when making investment decisions

2.3.4 TIME HORIZON

Time horizon is the time period investors would invest their funds in different investments bars to obtain their investment goals (Parker, 2011:6). Time horizon is also known as an investment horizon and can last, in terms of longevity, anywhere between a few seconds to decades. The time frame is dependent on the goals and objectives of the investor. Investment or time horizons are thus categorized as either short-term, intermediate term or long-term.

Time horizon is a critical element in achieving the success desired in investment planning. In order to maximise profitability or financial security in either a short-term, intermediary or long-term, the correct time horizon needs to be identified for each investment goal. (Klos, Weber & Weber, 2005:1779) Short-term horizons are usually less than five years and would typically include the investments in money market funds, short-term bonds and certificates of deposits (The Balance, 2019). The intermediary or medium-term horizon falls between 5 and 10 years and investors would typically focus on a conservative mix consisting of shares and bonds. In a long-term horizon, longer than 10 years, more time is spent accumulating savings and recovering investment

losses. An investor with a longer time horizon has the option of accepting higher levels of risk which could provide higher returns over the time zone in its entirety (Klos *et al.*, 2005:179). A longer time also results in more time to save and replenish losses in investments.

As people move through the different phases of their personal lives their financial priorities change (Overton, 2010:385). Plagrol (291:52-53) agrees and also found that as people move through the different life cycle stages their perception of financial stability changes. Based on different age categories, there are five separate phases in a life cycle, namely the young years, family, career, preretirement and retirement years (Cooper & Worsham, 2009:23). Throughout each of the five stages there is a need for continuous as well as diverse investments to meet specific investment needs at each stage. According to Kritzman (1993), younger people need to invest in long-term investment goals such as shares from a young age to save for retirement. A long-term horizon is in line with an investors goals of attaining solid financial freedom. Young adults can maximise their financial security both in the short-term and long-term being that the correct investment goal is identified at the right time.

For the purpose of this study, time horizon refers to the length of time in investments a young adult has in the short-term (less than five years), medium-term (5 to 10 years) and long-term (more than 10).

2.3.5 RISK AND RETURN

Lee (2013) defines risk as the probability that a return on an investment will be significantly lower than the expected return. Return is the profit or income of an asset or loss involved in owning an asset. Usually when it comes to investments, investors will anticipate high risks with higher returns and low risks with lower returns. Risk and return are therefore positively correlated. Risk and return are also greatly affected by time. The greater the anticipated risk and return on an investment, the longer the period of investment (Swart, 2002:132). There are various types of risks involved in investment options that can occur simultaneously or continuously. The types of risks include inflation risk, interest rate risk, market risk, business risk, financial risk, liquidity risk, reinvestment risk, country or political risk, currency or exchange rate risk and systematic and unsystematic risks (Botha *et al.*, 2018:362).

Inflation risk is also known as purchasing power risk because one's ability to purchase a varied number of goods or services is based on or dependent on the change of price levels in that economy. The risk is then that the investment will lose purchasing power. A controlled inflation's impact can be determined but the unexpected inflation can stress existing investments (Botha *et al.*, 2018:362). The second risk is the interest rate risk, which is the possibility of unexpected fluctuations in interest rates which result in a decline in an assets value. Interest rate risk is mostly associated with fixed assets (bonds) rather than equity investments" (CFI, 2018). The third type of risk that is the market risk that is the day to day fluctuations of an assets price. Fourthly the business risk, being anything that causes uncertainty or is a threat to the cash flows of the company. Anything that causes the company to fail to meet their target or financial goals is a business risk. Due to the uncertainty of cash flows to the business ultimately the investors, investors would requires a risk premium based on the uncertainty (Botha *et al.*, 2018:363). According to Saabye (2003), a risk premium is the higher return in relation to the risk free return an investor would expect to achieve having invested where the outcome is uncertain. A risk premium is thus an expression of how high-risk investments are expected to produce higher returns. However there are two major circumstances that can affect the risk premium. The circumstances are the risk-free return and the expected yield on shares. The risk free return, which is presumed to be constant as well as known, will only affect the risk premium if there are changes in the expected share returns (Saabye, 2003).

The fifth risk type is financial risk, being a business or individual's uncertainty regarding how investments are financed (Botha *et al.*, 20018:363). Financial risk is also a result of instability as well as the probability of loss in financial markets. The loss caused by currencies, increase in prices, interest rates and other factors that prohibit reasonable returns. (South African Reserve Bank, 2019) The sixth risk type is the liquidity risk which is concerned with the ability to liquidate assets timeously, in a value close to the market value (Botha *et al.*, 2018:363; South African Reserve Bank, 2019).

Country/political risk is the uncertainty of returns as major political or economic changes will possibly occur. Currency risk, also known as the exchange rate risk, is the uncertainty of returns from assets in a foreign country. Future exchange rates cannot be predicted by an investor making the conversion value uncertain (Botha *et al.*, 2018:364).

Systematic risk, also called non-diversifiable or market risk, a result of external as well as uncontrollable variables. These variables are not industry specific and affect the market in its entirety leading to the fluctuation of prices. Unsystematic risk is controllable, and the variables are known.

Once the risks have been identified as well as assessed, there are various methods of managing the risk. The four primary methods of managing financial risk are: risk avoidance, risk reduction, risk transfer and risk retention (Botha *et al.*, 2018:230-231). By knowing and understanding risk and return and the types of risks pertaining to investments, investment planners are able to advise young adults after assessing their risk tolerance or risk attitude. This is one of the key steps in investment planning. It is important and necessary to consider risks and returns in terms of investments as it can maximize the possibility of the individual achieving their financial goals (Hsin-yuan, Dwan-fang & Shang-yu, 2010:40).

For the purposes of this study, risk and return refer to a young adult's awareness of risks and returns and various investment options.

2.4 SUMMARY

Chapter Two is a brief discussion on the factors influencing investment behaviour of young adults. The factors discussed are investment knowledge, values, attitudes, time horizons and risk and return.

In order for individuals to make beneficial financial decisions there's a need for financial literacy and application. Knowledge and understanding, financial literacy, creates room and opportunity for future investment success. Values play a vital role in the financial decisions that an individual makes. An individual's values affect their goals, what they deem priority and ultimately what investments they make. Investment behaviours are thus an expression of people's personal values which could lead to maximum financial satisfaction. There are however value factors that can hinder one's participation such as materialism.

A young adult's attitude towards money plays a crucial role in how they make investment decisions. An individual's attitude is formed by personal experiences, culture, family or religion. Their intentions are determined by their attitude towards money, their level of financial control and what is deemed as a normality, learnt through their parents. Their

intention determines the financial standard desired to be achieved through the way they manage their cash and debt and also not spending beyond their means.

Time horizon, the length of time a young adult has in their investments; short term, medium term or long term, is a critical element in achieving financial success. Being able to apply the knowledge on investments and timeframes to a set of goals can prove profitable. However there are risks, which are also affected by time. The greater the anticipated risk and return on an investment the longer the period of investment. Risks include; inflation risks, interest risks, business risks, financial risks and liquidity risks among others. Risks need to be identified, assessed and managed by either risk avoidance, risk reduction, risk transfer or risk retention. Understanding the risk and how to manage the risk is key in investment planning.

In Chapter Three the research design and methodology is presented. Particularly the research design, data collection, population and sampling techniques, the measuring instrument and data analysis will be discussed.

CHAPTER 3

RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION

Chapter Two discussed the various factors that affect or influence the behaviour of young adults when it comes to investment planning and finances. The factors, namely, investment knowledge, values, attitude, time horizons, and risk and return, all may influence the investment behaviour of young adults. It is to the advantage of young adults that they are financially literate as they would be able to recognise and understand the investment opportunities available to them. Therefore, it is of importance for young adults not only to be financially literate, but to have values and goals aligned with achieving financial stability. Chapter Three begins by defining research design. The phenomenological research paradigm and positivistic research paradigm are given and thereafter the data collection and data analysis employed will be discussed.

3.2 RESEARCH DESIGN

Bless, Higson-Smith and Kagee (2006:71) define research as an operation that needs to be performed to test a hypothesis under a set of given conditions. A good research starts with the selection of the topic, problem or area of interest. Babbie and Mouton (2008:74) concur by defining research design as the blueprint for the conduction of a research project before the research process commences. Welman, Kruger & Mitchell (2009:46) further define research design as the overall plan where the respondents to the study are selected and the means by which data is collected and generated is selected. Durrheim (2004:195) alluded to this by stating how research design serves as a bridge between research questions and the execution of the research strategy as the research design provides insights about how to conduct a research and what methods are going to be used to collect and analyse this data.

According to Welman *et al.* (2009:46) and Mouton (1996:107), the main purpose of the research design is the enablement of the researcher to maximise the validity of the anticipated response and to ensure the relevant data is collected, which in the context of this study is to focus on young adults' perception of investment planning. The research design also includes deciding what the questions will be, in line with the purpose of the research.

There are two main approaches used to collect information, namely a positivistic research paradigm, also known as quantitative research and a phenomenological research paradigm, also known as qualitative research (Kivunja & Kuyini, 2017:30). A research paradigm is a set of common beliefs and agreements about how problems should be understood and addressed (Groenewald, 2004:44; Kivunja & Kuyini, 2017:30). The sections to follow will discuss the positivistic and phenomenological research paradigms respectively and then conclude with the chosen paradigm.

3.2.1 POSITIVISTIC RESEARCH METHODOLOGY

Kivunja and Kuyini (2016:30) concurred with Rehman and Alharthi (2016:54) in defining the positivist research paradigm as a method used to study the relationship between two variables with the primary goal being to analyse and represent that relationship mathematically through a scientific investigation. Rehman and Alharthi (2016:54) alluded to this by stating how it focuses on experimentation, and observation in order to understand human behaviour and the cause and effect of situations. Positivist research, most closely associated with quantitative research, often generates numerical data and is used to answer research questions and maintains the belief that reality is out there to be studied. Social surveys with closed-ended questions such as face-to face and telephone interviews and obtaining relevant data from management information systems are frequently viewed as prime examples of this approach (Rehman & Alharthi, 2016:55).

According to the positivist approach, research is thought to be of good quality if it has internal validity, external validity, reliability and objectivity (Rehman & Alharthi, 2016:54). There are four main types of quantitative research designs namely; descriptive, correlational, quasi-experimental and experimental (Center for Innovation in Research and Teaching, 2019). Descriptive design describes the characteristics of the subject being studied, a phenomenon or population. An example of descriptive design would be the description of children's attitude towards the consumption of alcohol or smoking (CIRT, 2019; Kothari, 2004:5). Correlational design explores through statistical analysis the relationship between variable. An example of correlational design would be the study of the relationship between clinical depression and the Intelligence Quotient (IQ). Quasi-experimental design also referred to as causal comparative design, seek to establish the relationship between two variables. (CIRT, 2019; Kothari, 2004:5). Experimental design refers to the process of planning a study in order for it to meet its targeted objectives.

This planning process is vital as it ensures that the correct type of data gathered and sufficient sample size is obtained research questions (Kothari, 2004:5; Walliman, 2011:113).

3.2.2 PHENOMENOLOGICAL RESEARCH METHODOLOGY

Phenomenological paradigm is used to gain insight and understanding from information obtained from respondents (Kivunja & Kuyini, 2017:26). Furthermore, this approach is also used to uncover trends in thought and opinions, and dive deeper into the problem. Phenomenological paradigm data collection methods vary using unstructured or semi-structured techniques allowing the participants to provide their perspectives in words and other actions (Walliman, 2011:133). Unstructured interview resembles a conversation more than an interview as there are no specific questions that are set (Jamshed, 2014:87). The conversation is skewed towards the interests of the interviewer. Unstructured interview consists of focused interview and informal, conversational interview, based on unplanned set of questions that are generated instantaneously during the interview (Jamshed, 2014:87). Jamshed (2014:87) defines semi-structured interviews as in-depth interviews where the respondents do not strictly follow a formalised list of questions. These interviews are no longer than an hour and the questions are presented on a more open-ended basis. Semi-structured interviews are utilised when conducting an individual or group interview where the structure consists of the core question and many associated questions related to the study (Jamshed, 2014:87). Due to time and costs involved, qualitative designs do not generally draw samples from large-scale data sets therefore, sample size is typically small, and respondents are selected to fulfil a given quota (Walliman, 2011:133). This method also tends to be demanding and difficult as there could be issues with validity and reliability of information since it deals with intangible and inexact information collected from respondents. Contexts, conditions, and interactions cannot be replicated, nor can generalisations be made wider than the context of the study (Walliman, 2011:133).

3.2.3 PARADIGM EMPLOYED IN THE STUDY

A positivistic research paradigm will be adopted for the purposes of this study. This approach involves the development of a hypothesis and the construction of a questionnaire which will be distributed to respondents and be used as the primary data

collection instrument. This method is advantageous as it allows for information to be obtained from a large sample and information obtained will be precise and reliable.

3.3 DATA COLLECTION

Data is defined as information obtained in a course of a study (Polkinghorne, 2005:137). This chapter discusses the primary and secondary data collection methods and will furthermore highlight the methods used to obtain the data.

3.3.1 SECONDARY DATA COLLECTION

Hox and Hennie (2005:593) define secondary data as the data that have been already collected by and readily available from other sources. This refers to universities' research and individuals who decide to make their information accessible to other individuals to use. Secondary data is beneficial in that it is cost effective, helps to improve the understanding of the problem and helps to make a comparison when developing a solution for a problem (Hox & Hennie, 2005:596).

For the purposes of this study, secondary research was conducted by consulting a variety of relevant textbooks, academic journals, articles and websites. In addition, the library facilities available at the Nelson Mandela Metropolitan University will be used to access databases, such as Emerald, EBSCOhost and Sabinet, which will be consulted to identify the investment behaviour of young adults. This secondary data was accessed in order to conduct a literature review which is important to support the findings of the empirical investigation.

3.3.2 PRIMARY DATA COLLECTION

Primary data is original data that has been collected for the first time for a specific investigation (Hox & Hennie, 2005:593). Primary data is that which is collected by the researcher to address the current research question. Through this one can collect data that will meet the studies even though it is more costly than secondary data collection (Hox & Hennie, 2005:595). Primary data will be obtained through the distributions of questionnaires to the identified sample. 200 questionnaires, excluding pilot questionnaires, will be distributed to respondents.

3.3.2.1 Population

When doing a study, one needs to collect information from the target population. Therefore population refers to all the individuals, groups, institutions or countries who meet the requirements for a specific research investigation (Plümpera & Neumayer, 2012:4; Taherdoost, 2016:19). For this study, the population will be all adults in the Nelson Mandela Metropole area.

3.3.2.2 Sample

Kothari (2004:152) defines a sample as a process of extracting a portion of a population. When conducting research, it is impossible to assess every single element of the population to obtain data due to its high cost, lack of accessibility and time consumption, therefore a sample is needed. For the data obtained from the sample to be a true representation of the population, a large sample size needs to be obtained so as to increase the accuracy and generalisation that will be made (Drew *et al.*, 2008:83; Kothari, 2004:152; Mohsin, 2016:9). Sampling process may encounter problems of sampling biases systematic errors. Mohsin (2016:12) defines sampling bias as when the selected sample fails to reflect the true characteristics of population. Systematic errors are defined as an incorrect representation of the sample and it can be caused by the lack of variation in the number of representativeness (Mohsin, 2016:11). Sampling error can be controlled with making use of a larger sample size and effective sample design and size. For this study, the sample will be young adults aged between 18 and 35 in the Nelson Mandela Metropole.

3.3.2.3 Sampling techniques

There are two major categories of sampling namely probability and non-probability sampling (Kothari, 2004:50; Mohsin, 2016:12; Struwig & Stead, 2013:116). Non-probability is a sampling technique where all population elements who meet the research requirements do not have an equal opportunity for being chosen for the sample (Acharya, Prakash, Saxena & Nigam, 2013:332; Mohsin, 2016:12; Plümpera & Neumayer, 2013:4). This sampling technique includes convenience sampling, quota sampling and snowball sampling (Mohsin, 2016:12). Convenience sampling relies on data collected from members of the population who are conveniently available to participate in study (Acharya *et al.*, 2013:332; Kothari, 2004:153). Quota sampling is

where the collected sample has the same scope of individuals as the entire population with respect to traits of the focused study (Acharya *et al.*, 2013:332). Struwig and Stead (2013:117) defined snowballing as respondents who recruit other participants for the study. It is used where potential participants are difficult to find.

The benefits of these sampling techniques are that it requires less effort, work and time is needed when obtaining data (Mohsin, 2016:13). However, non-probability sampling is inclined to encounter systematic errors and sampling biases and the sample used is not seen to be a good representative of the population.

Probability sampling is known as judgment, non-random sampling and chance sampling. Under this sampling design, every item in the population has an equal chance of being chosen for the sample (Kothari, 2004:153; Mohsin, 2016:14). There it is blind choice that determines whether one item or the other is selected. The results obtained from this technique can be assure through probability. The benefits of this sampling technique are that it reduces the chance of systematic error and minimise the occurrence of sampling biases (Mohsin, 2016:15). Probability sampling involves simple random sampling, systematic random sampling, stratified random sampling, cluster sampling and multiphase sampling (Acharya *et al.*, 2013:330). Simple random sampling is a method in which every individual has an equal opportunity of being chosen in the sample (Acharya *et al.*, 2013:330). Systematic random sampling occurs when sampled members are selected at a random starting point were then after, the subsequent members are selected by a periodic process (Acharya *et al.*, 2013:330). Stratified random sampling method occurs when data population is divided into different sub-groups known as strata whereby a random sample will be taken from each strata (Acharya *et al.*, 2013:330). Acharya *et al.* (2013:330) define cluster sampling as a method in which a researcher divides the population into different groups knowns as clusters from which samples are selected. This approach is often used in large national surveys. Multiphase sampling method organises the population into groups and collects information from whole sample and additional information is collected from the sub-sample (Acharya *et al.*, 2013:331). This additional information is collected so as to provide more detail information about the sample. However, this sampling techniques require a large amount of effort and time to obtain data and it is also very high in cost.

For the purpose of this study non-probability sampling is used. Convenience and snowball sampling were used to draw the sample from the population due to its ease to access young adults in the Nelson Mandela Metropole. Questionnaires will be handed out to willing respondents were after completion, they will be collected for evaluation.

3.3.3 RESEARCH INSTRUMENT

The research instrument that is applicable to evaluate the perception of young adults in the Nelson Mandela Metropole is a questionnaire. A questionnaire is one of the more popular methods of research under quantitative research and is in the form of self-administered questions in various sections. A questionnaire includes the cover page and covers the dependent variable, namely, investment behaviour, and the independent variables, namely, investment knowledge, values attitudes, time horizon, and risk and return.

The cover page will state the main purpose of the study, how long it will take the respondent to complete the questionnaire, the respondent's rights in terms of confidentiality, anonymity, opting out and that the completion of the questionnaire is voluntary. Lastly, the cover page will indicate that ethical clearance was considered. The questionnaire will consist of Section A and Section B. Section A will consist of items regarding the independent and dependent variables applicable to the study from previously used scales that are valid and reliable and/or self-developed from literature. The questions or statements in the measuring instrument will be phrased in 5-point Likert-type ordinal scales as well as close ended questions which measures the level of agreement or disagreement of the respondent.

The 5 point Likert-type used will have response options ranging from strongly disagree to strongly agree on a scale of 1 to 5. Strongly disagree will be indicated by (1), disagree indicated by (2), neutral (3), agree (4) and strongly agree indicated by (5). Section B will collect biographical data such as gender, age and race, using nominal scales (close-ended).

3.4 DATA ANALYSIS

Data analysis is a process or method of collecting and organising data to derive useful information. Once primary data has been collected, the appropriate statistical techniques are applied to perform the data analysis (Zikmund, Babin, Carr & Griffin, 2010:70). In

this study, the primary data will be collected through the use of questionnaires and will be captured and cleaned in Microsoft Excel and analysed using Statistica Version 13. The validity and reliability of the questionnaire will be assessed and the analysis of the data will be conducted once validity and reliability have been ascertain.

3.4.1 VALIDITY

The main purpose of this research is to research young adults' perception of investment planning. In order to have reliable research, there is a need for the validity and reliability test. Validity and reliability are important and elemental features that evaluate measurement instruments and tools for research. Validity concerns what the instrument measures and represents the truthfulness of information found (Altheide & Johnson, 1994). There are a number of types of validity, namely face validity, content validity, construct validity and criterion validity.

Face validity refers to the degree to which a test appears to measure what it claims to measure (Leedy & Ormrod, 2004). It is also the simplest and least accurate method of evaluating validity because it relies completely on the assessor's experience and familiarity to the subject matter (Nwana, 2007). Face validity is usually used to describe the validity's appearance without testing, making it the weakest form of validity (Hashim *et al.*, 2007). According to Creswell (2005), content validity is the extent to which questions on the measuring instrument, questionnaire or survey, represent all the possible questions in relation to the content or the skill. Content validity also ensures adequacy in the set of times that relate to the concept. Where the measuring instrument has content validity, the face validity can be assumed; however, the opposite cannot be assumed. Face validity cannot ensure content validity. Construct validity refers to how well an idea, concept or behaviour is converted into something that is operating in reality (Trochim, 2006). Criterion validity predicts current and future performance measuring reliability of a measure to its outcome.

Validity requires that a measuring instrument must be reliable, but an instrument can be reliable without being valid. Validity expresses the degree to which a measuring instrument measures what it claims to measure (Bolarinwa, 2015:197). Validity tests are categorised into two components namely, internal and external validity. Internal validity refers the extent to which the findings obtained from the research was quantifying with what it was designed to measure. External validity refers to how the findings obtained

from the sample selected accurately described the refer population from which the sample was obtained (Bolarinwa, 2015:197).

Exploratory Factor Analysis (EFA) uncovers patterns through the exploration of datasets and the testing of predictions (Yong & Pearce, 2013). An EFA identifies the number of latent factors as well as the underlying factor structure. The minimum factor loading for a sample size needed for significance for 200 people is 0.40. (Hair, Black, Babin & Anderson, 2013:115)

3.4.2 RELIABILITY

Reliability is concerned with the extent to which a measuring instrument can provide stable as well as consistent results, repeatability (Carmines & Zeller, 1979; Noble & Smith, 2015:34). Reliability measures consistency, trustworthiness, repeatability and precision of research, and indicates the extent to which it is error free through the measurement of various items. In quantitative research, stability, repeatability and consistency of results is reliable when the results obtained are consistent in identical situations but through different circumstances (Noble & Smith, 2015:35).

Assessing the reliability of the data obtained from the questionnaire requires evaluation about information 'soundness' to be made in relation to the application and appropriateness of the methods (Noble & Smith, 2015:34). Reliability refers to the degree to which the results obtained from a measuring can be replicated. The less variation the instrument produces in repeated measurements, the higher reliability (Noble & Smith, 2015:35). There is also a relationship between reliability and validity. An instrument which is not valid cannot possibly be reliable.

There are three aspects of reliability, namely; equivalence, stability and internal consistency (Bolarinwa, 2015:199; Kimberlin & Winterstein, 2008:2277). Stability, also known as test–retest reliability, occurs when the same or similar scores are obtained with repeated testing with the same group of were respondents are measured at different times through using the same standard (Bolarinwa, 2015:199; Kimberlin & Winterstein, 2008:2278).The equivalence, also known as internal consistency, refers to the similarity between two or more instruments that are administered at nearly the same point in time to score a behaviour (Bolarinwa, 2015:200; Kimberlin & Winterstein, 2008:2278). The third aspect of reliability is internal consistency or homogeneity. Homogeneity refers to

the extent that items on the test are measuring the same thing (Bolarinwa, 2015:200; Kimberlin & Winterstein, 2008:2278). If the items are highly correlated with each other, there is a guarantee of reliability of the entire scale. (Kimberlin & Winterstein, 2008:2277).

In order to assess the measuring scale's reliability, the Cronbach's alpha coefficients are calculated to measure consistency in the relationship between a set of items, or how closely related they are (Wilson, 2010:200). The limit of acceptability is 0.7 therefore a coefficient of 0.8, 0.9 or above is regarded as highly acceptable or exceptional (Cronbach, 1951). A Cronbach's alpha coefficient of less than 0.7 indicates poor reliability and validity of the study (Burns & Burns, 2008:417). For the purpose of this study, a Cronbach's alpha coefficient of acceptance of 0.7 will be regarded as sufficient proof of reliability (McCrae, Kurtz, Yamagata & Terracciano, 2011:30).

3.4.3 DESCRIPTIVE STATISTICS

According to Jaggi (2003), descriptive statistics provide graphical and numerical procedures to summarise a collection of data in a clear and understandable manor and comprises of the measurement of the central tendency which includes the mean, mode, median, the standard deviation and frequency distribution. Mean is the average and is calculated by dividing the sum of values by the number of observations (Burns & Burns, 2008:124). According to Jaggi (2003), a median is the exact middle number after a set of values is arranged in numerical order, while the mode is the number that occurs the most (Jaggi, 2003:18).

According to Streiner (1996), the standard deviation measures dispersion or rather is an index of how close individual data points are to the mean. For the purpose of this study the descriptive statistics will be presented in the form of bar charts, graphs and tables. The questionnaire will consist of Section A and Section B. Section A focuses on the factors of the independent and dependent variables and will be measured by the mean and standard deviation while Section B focuses on the biographical data and will be presented in the form of a frequency distribution.

3.4.4 THE PEARSON PRODUCT MOMENT CORRELATION COEFFICIENT

The Pearson correlation coefficient is used to measure the statistical relationship between data that is paired. These variables can be correlated positively or negatively

and this is indicated by a positive (+) or negative (-) sign. If there is no relationship between the correlation coefficient, then this is indicated by a zero (0). Where the strength increases, the value increases from 0.1 to 1 (Stockburger 2013:54). When checking for the associations or links the values differ from strength, moderate and weak. When the association is strong, the value will be 0.5 and above. Where the association is moderate, the value will be between 0.25 and 0.5 while a value between 0 and 0.25 is deemed as a weak association.

3.4.5 MULTIPLE REGRESSION ANALYSIS

The multiple regression analysis is conducted to investigate the existence of relationships between the independent and dependent variables. Multiple regression analysis is used where there is more than one independent variable and is also the technique used to determine what influence an independent variable has on a dependent variable. (Kothari, 2008:130). Therefore the multiple regression analysis will be used to test the formulated hypothesis and t-tests. The significance cut-off point is $p < 0.05$ and will thus be used for this study (Blumberg, Cooper & Schindler, 2008:637).

3.5 SUMMARY

In Chapter Three an overview of research design and methodology was presented. The two research paradigm discussed were the positivistic research and the phenomenological research paradigm. The paradigm and methodology chosen for this study is the positivistic research paradigm as it follows a quantitative research methodology. This process includes collecting primary and secondary data from the relevant sources.

Primary data was collected by means of a structured questionnaire which was distributed and collected from selected sample. The questionnaire consists of two sections, namely section A and B. Section A included data relating to the independent and the dependent variable, whilst section B included questions about demographic data. Convenience and snowball sampling were used to draw the sample from the population. The reliability of collected data was measure through the use of the Cronbach's Alpha correlation coefficient with a cut off of 0.60. Other statistical methods used in this study consists of the mean and standard deviation, the Pearson product moment correlation coefficient

and the Multiple regression analysis. Chapter Four will present the results of the empirical study as well as a discussion thereof.

CHAPTER 4

EMPIRICAL RESULTS

4.1 INTRODUCTION

Chapter Three provided a discussion of the research design and methodology presented in this study. A positivistic research methodology (quantitative research) was adopted for this study. The data collection method chosen was a questionnaire in order to obtain data to investigate the factors that influencing young adults' perception on investment for the empirical investigation. This chapter will thus provide an analysis and interpretation of the empirical investigation and the results thereof.

Chapter Four consists of a summary of the demographic data (Section B) obtained from the respondents, as well as providing an analysis of respondent's view regarding their investment knowledge, values towards investments, attitude towards investment, investment time horizon, risk and return aptitude and their investment behaviour (Section A). Following that, the results of the validity and reliability assessments will then be presented. An Exploratory Factor Analysis was used to evaluate the validity of the measuring instrument. Cronbach's alpha coefficients were calculated to verify the reliability questionnaire. Descriptive statistics will then be presented to summarise the sample data.

To evaluate the relationships between the independent and dependent variables, the Pearson product moment correlation coefficient was employed. The proposed hypotheses of this study were tested by using the multiple regression analysis and the results will be presented in this chapter. Lastly, recommendations and remarks relating to reasons for not investing made by respondents will be provided.

4.2 SAMPLE DESCRIPTION

As previously mentioned, the primary objective for this study is to investigate young adults' perceptions on investment. In order to access this, 200 questionnaires were distributed to young adults between the ages of 18 and 35 in the Nelson Mandela Metropole. Of the 200 questionnaires, 155 questionnaires were received from respondents, thus making the response rate 77.50%. After the data cleaning process, 142 questionnaires were usable. Therefore, the effective response rate was 71%. The data analysis will be based on the responses of the usable questionnaires.

4.2.1 DEMOGRAPHICAL DATA OF THE RESPONDENTS

The demographical data was gathered in Section B of the questionnaire and captured using Microsoft Excel then statistically analysed using Statistica Version 13. This information consists of an analysis of the following items namely: gender, age, ethnic group, highest education qualification, employment status, whether respondents invest or not and the duration of the respondent's investment horizon. A summary of the collected demographic data from the respondents is presented in Table 4.1.

From Table 4.1 it can be seen that the majority of the respondents (54.93%) were female and the male percentage accounted for 44.37% the sample. Most of the respondents were between the ages of 20 and 25 (49.30%) followed by those between the ages 26 and 30 (20.42%) and between 31 and 35 who made up 16.20% of the sample. A small group of respondents between the ages of 18 and 20 made up 13.38% while the other 0.70% did not indicate their age group.

With regard to the ethnic group, 66.20% of the respondents were black, followed by 17.60% coloured and 7.75% being white. Only 3.52% of the respondents were not willing to indicate their ethnic group. The remaining sample of 1.41% were Asian. Regarding the respondents' highest academic qualification, most of the respondents indicated that they held a grade 12 certificate (35.92%), followed by those who had a bachelor's degree (30.99%). A few of the respondents obtained a diploma (16.90%) while some indicated that they have a post graduate qualification (14.08%) or other qualification (2.82%). Unfortunately 2.11% of the respondents did not specify the qualifications.

In terms of employment, majority of respondents were employed full-time (40.85%), while 38.73% of the respondents were students. Only 9.15% of the respondents were employed on a part-time basis and the remaining respondents indicated that they were retired (2.82%), unemployed (4.93%), or involved in other forms of employment (1.41%). A few of the respondents (2.11%) did not indicate their current employment status.

TABLE 4.1: DEMOGRAPHIC INFORMATION FROM RESPONDENTS

DEMOGRAPHIC VARIABLE	RESPONDENTS	
GENDER	FREQUENCY	PERCENTAGE
Male	63	44.37
Female	78	54.93
Missing	1	0.70
Total	142	100.00
AGE	FREQUENCY	PERCENTAGE
18-20	19	13.38
20-25	70	49.30
26-30	29	20.42
31-35	23	16.20
Missing	1	0.70
Total	142	100.00
ETHNIC GROUP	FREQUENCY	PERCENTAGE
Asian	2	1.41
Black	94	66.20
Coloured	25	17.60
Indian	5	3.52
White	11	7.75
Not willing to say	5	3.52
Total	142	100.00
HIGHEST QUALIFICATION OBTAINED	FREQUENCY	PERCENTAGE
Grade 12	51	35.92
Diploma	24	16.90
Bachelor's degree	44	30.99
Post graduate degree	20	14.08
Other	3	2.11
Total	142	100
EMPLOYMENT STATUS	FREQUENCY	PERCENTAGE
Full-time	58	40.85
Part-time	13	9.15
Retired	4	2.82
Unemployed	7	4.93
Student	55	38.73
Other	2	1.41
Missing	3	2.11
Total	142	100

Source: Researchers own

4.2.2 INVESTMENT INVOLVEMENT OF RESPONDENTS

Table 4.2 summarises whether the respondents have investments and when investing, for how long they intend to keep their investments.

TABLE 4.2: INVESTMENT INFORMATION OF RESPONDENTS

DO RESPONDENT INVEST	FREQUENCY	PERCENTAGE
Yes	89	62.68
No	53	37.32
Total	142	100.00
REASON	FREQUENCY	PERCENTAGE
No financial knowledge	8	15.69
Dependent on parents	2	3.92
No income / not working	24	47.06
Student	4	7.84
No thoughts of investment	3	5.88
Saving for property	2	3.92
Not enough income	6	11.76
Do not find the need to invest	2	3.91
INVESTMENT HORIZON	FREQUENCY	PERCENTAGE
When investing, I plan to keep my investment for a period less than 5 years	49	34.51
When investing, I plan to keep my investment for a period of 5 to 10 years	51	35.92
When investing, I plan to keep my investment for a period longer than 10 years	41	28.87
Missing	1	0.70
Total	142	100.00

Source: Researcher's own

When analysing respondent's involvement in investments activities, it was found that 37.32% of the respondents have not invested in any investment vehicles while the majority of the respondents (62.68%) have invested in investment schemes. When asked the reasons for not investing, a large group of the respondents stated that they did not receive an income (47.06%) or did not have sufficient financial knowledge to purchase investments (15.69%). A small group indicated that they are still students and therefore, do not receive an income (7.84%). However, the remaining respondents

stated that they are either still dependent on their parents (3.92%), have no thoughts of investments (5.88%), saving for property (3.92%), do not see the need for investments (3.91%) or that they do not have enough money after expenses to invest (11.76%).

4.2.3 METHODS TO ENCOURAGE YOUNG ADULTS TO INVEST

Section B of the questionnaire entailed open ended questions allowing the respondents to make suggestions about the methods that can be used to encourage young adults to invest and to increase their success when making investing decisions. Table 4.3 summarises the recommendations made by the respondents.

TABLE 4.3: METHODS TO ENCOURAGE YOUNG ADULTS TO INVEST

SUGGESTIONS TO ENCOURAGE YOUNG ADULTS TO INVEST	FREQUENCY	PERCENTAGE
Provide financial education in high school and university	31	26.05
Consult a financial advisor	4	3.36
Obtain advise from a successful investor	3	2.52
Have workshops, seminars and short courses	17	14.29
Invest in a fund you won't be able to withdraw from	1	0.84
Make investment criteria more accessible to students	7	5.88
Broadcast shows and use social media to inform young adults of investment options	14	11.76
Invest in tax free investments	1	0.84
Start small and be patient	11	9.24
Make use of a budget	15	12.60
Invest in property	1	0.84
Learn about businesses and possibly start your own	1	0.84
Make use of a savings account	4	3.36
Work abroad in a country with high currency then invest locally	2	1.68
Thinking long-term in money activates	4	3.36
To never invest in one place (always spread investments)	2	1.68
Knowing that it is okay to incur losses, but one must set tolerance level of losses	1	0.84

Source: Researchers Own

It is important for young adults to be financially literate in order to make informed financial decisions and become financially independent. According to Table 4.3, the majority of respondents (26.05%) suggested providing financial education in secondary and tertiary education as core subjects or modules. By incorporating more financial education at school level, young adults will be informed about how to handle money, taxes, investments and savings. Some respondents indicated a need for workshops, seminars and short courses that will allow young adults to gain more knowledge by highlighting the different investment methods, positive impact and risks of investing and being informed of the options that are available to them (14.29%). Respondents also stated how financial institutions should make investment criteria more accessible to students by tailoring investments to suit small scale deposits so they can invest at all levels of income (5.88%).

There were 11.76% of respondents that suggested the need for the media to be involved in educating young adults on the importance of investing through broadcasting as either televised programs or radio. In addition to this, respondents suggested that developing a budget and getting into the habit of using less money than you earn (12.60%), investing in tax free investments (0.84%) or making use of a savings account (3.36%) could be beneficial for young adults. Respondents also encouraged young adults to start small and to be patient when making investments (9.24%) thinking long term in their money activities by developing a plan for their future (3.36%), to never invest all their funds in one place (3.36%) and to know that it is okay to incur losses when investing but one must set a tolerance level for losses (0.84%).

A small group of the respondents indicated how investing in property (0.84%), learning about businesses and possibly start your own (0.84%) and working abroad in a country with a high currency then invest locally (1.68%) should be options that young adults consider. The remaining respondents suggested seeking a financial advisor (3.36%), obtaining advice from successful investors (2.52%) and investing in a fund that they won't be able to withdraw from until it matures (0.84%).

4.3 RESULTS OF THE VALIDITY AND RELIABILITY ANALYSES

Validity expresses the degree to which a measuring instrument measures what it claims to measure (Bolarinwa, 2015:197). For the purposes of this study an exploratory factor analysis (EFA), with a minimum factor of 0.4 was undertaken in order to assess the

measuring instruments construct validity. Factors with factor loading less than 0.4 with less than two items were excluded from further analysis.

Reliability is the extent to which a measuring instrument can provide stable as well as consistent results repeatedly (Carmines & Zeller, 1979). For the reliability of the measuring instrument to be verified, Cronbach's alpha coefficients were calculated. To ensure reliability a minimum of 0.6 was considered as reliable, 0.6 to 0.7 reflected fair reliability and 0.7 and above were considered to be highly reliable. Therefore in this study, a Cronbach's alpha coefficient of less than 0.6 was deemed unreliable.

4.3.1 FACTOR 1– INVESTMENT KNOWLEDGE

For the factor *Investment knowledge*, four out of seven items loaded as expected (IK1, IK4, IK5, IK7). The items IK2, IK3, and IK6 did not load at all and thus, subsequently excluded from further analysis. Factors loading between -0.7453 and -0.0339 are reported and presented in Table 4.4. The factor *Investment knowledge* explained 5.37% of the variance in the data thus. Sufficient evidence of validity was provided. The Cronbach's alpha coefficient for this factor was 0.5309, which is below the required 0.6, suggesting that the measuring instrument used to measure the factor was unreliable. Therefore, *Investment knowledge* was excluded from further analysis.

TABLE 4.4: FACTOR 3 – INVESTMENT KNOWLEDGE

Variance: 5.37%		Cronbach's alpha: 0.5309		
Item nr	Item	Factor loading	Item-total correl.	Cronbach's alpha after deletion
IK1	I gained financial knowledge from my family and friends	-0.4627	0.2653	0.5036
IK2	I gained financial knowledge from my financial advisor	-0.3613	-	-
IK3	I gained financial knowledge from my studies at school and/or university	-0.0339	-	-
IK4	I gained financial knowledge from the media and the internet	-0.4609	0.2640	0.5039
IK5	I use a budget showing what portion of income will be used for expenses and what will be saved for later consumption	-0.7444	0.3663	0.4165
IK6	I am preparing for my retirement	-0.3253	-	-
IK7	I maintain financial records of all my income and expenses	-0.7453	0.3811	0.4010

Source: Researchers own compilation from statistical analysis

4.3.2 FACTOR 2 – VALUES

Of the seven original items intended to measure *Value*, six items (VAL1, VAL2, VAL3, VAL4, VAL5, VAL6) loaded together as expected. Therefore, item VAL7, the only item that did not load, was not used in the analyses. The factor loading range from -0.4380 to 0.6728. The loaded factors explain 13.50% of the variance of the data. Sufficient evidence of validity is provided. The Cronbach's alpha correlation coefficient for *Values* is 0.6113 which suggests that the instrument used for the measurement is reliable. Table 4.5 provides a summary of the results of the EFA and reliability for the *Values* factor.

TABLE 4.5: FACTOR 2 – VALUES

Variance: 13.50%		Cronbach's alpha: 0.6113		
Item nr	Item	Factor loading	Item-total correl.	Cronbach's alpha after deletion
VAL1	My personal values guide me when investment behaviour	-0.6189	0.3549	0.5660
VAL2	My financial decisions are influenced by people who have money	-0.6044	0.3810	0.5511
VAL3	My religious beliefs guide my investment decisions	-0.5094	0.3183	0.5799
VAL4	My family members' opinions guide my investment decisions	-0.5987	0.3634	0.5588
VAL5	I follow the spending, saving and investing habits of my family	-0.6728	0.4375	0.5267
VAL6	I am willing and able to bear the consequences of a loss to maximise my returns	-0.4380	0.2161	0.6121
VAL7	I am concerned about losses as well as returns	-0.3388	-	-

Source: Researchers own compilation from statistical analysis

Therefore *Values* is defined as young adult's personal, religious and family values and how actions of others influence them when making investment decisions.

4.3.3 FACTOR 3 – ATTITUDE

Of the twelve items developed to measure the factor *Attitude*, only five items loaded as intended (ATT1, ATT4, ATT6, ATT7, ATT12). The remaining items did not load onto the factor and therefore will be disregarded for further analysis. From Table 4.6 it can be seen that the factor loading range from -0.2552 to 0.7757 for the statements. This factor, as presented in Table 4.5, explains 15.49% of the variance of the data. Sufficient evidence of validity was provided. The Cronbach's alpha correlation coefficient for *Attitude* is 0.7355 which suggests that the instrument used for the measurement is reliable.

TABLE 4.6: FACTOR 1 – ATTITUDE

Variance: 15.49%		Cronbach's alpha: 0.7355		
Item nr	Item	Factor loading	Item-total correl.	Cronbach's alpha after deletion
ATT1	Money represents one's achievements	0.7757	0.62907	0.6379
ATT2	I am financially secure	0.3724	-	-
ATT3	I am in control of my expenses	-0.1449	-	-
ATT4	Money is a symbol of success	0.7027	0.5199	0.6809
ATT5	Money in the bank is a sign of security	0.3309	-	-
ATT6	Money is the most important thing (goal) in my life	0.6897	0.5191	0.6817
ATT7	Money can buy everything	0.7086	0.5859	0.6537
ATT8	Before I buy something, I carefully consider whether I can afford it	-0.2552	-	-
ATT9	I find it more satisfying to spend money than to save it for the long term	0.3999	-	-
ATT10	I tend to live for today and let tomorrow take care of itself	0.3592	-	-
ATT11	I set long term financial goals and strive to achieve them	0.1315	-	-
ATT12	Money is there to be spent	0.4644	0.2528	0.7748

Source: Researchers own compilation from statistical analysis

Therefore the factor *Attitude* is defined as a young adult's viewing money as a representation of one's success, most important goal in life and something that is there to be spent.

4.3.4 FACTOR 4 – TIME HORIZON

Only four of the five items in *Time horizon* (TH1, TH2, TH3 and TH4) loaded together. Item TH5 did not load and was thus excluded from further analysis. As illustrated in Table 4.7 the factor loadings range between -0.2533 and -0.7168. The factor *Time horizon* explained 6.21% of the variance in data, which ensured validity. The Cronbach alpha coefficient for *Time horizon* was 0.6108, showing the measuring instrument used to measure the factor was reliable.

TABLE 4.7: Factor 4 – TIME HORIZON

Variance: 6.21%		Cronbach's alpha: 0.6108		
Item nr	Item	Factor loading	Item-total correl.	Cronbach's alpha after deletion
TH1	I plan to withdraw funds from my investments in the short term – within the next 5 years	-0.6012	0.3554	0.5702
TH2	I plan to withdraw funds from my investments in the medium term – within 5 to 10 years	-0.6321	0.3112	0.5942
TH3	I plan to withdraw funds from my investments in the long term – after 10 years	-0.2533	0.4428	0.4987
TH4	Once I begin withdrawing from my investments, I intend to spend the funds immediately	-0.7168	0.4618	0.4880
TH5	Once I begin withdrawing funds from my investments, I intend to spend the funds within the next 5 years	-0.7396	-	-

Source: Researchers own compilation from statistical analysis

Therefore, the factor *Time horizon* is defined as young adult's view of the amount of time required when distributing in various investments to obtain investment goal.

4.3.5 FACTOR 5 – RISK AND RETURN

Out of the twelve items developed to measure *Risk and return*, nine factors loaded together (RR2, RR3, RR4, RR6, RR7, RR8, RR9, RR10 and RR12) while items RR1, RR5 and RR11 did not load onto the factor. These items will be excluded from further analyses.

As Table 4.8 illustrates, the factor loadings range from -0.1190 and -0.6975. The percentage of variance explaining the *Risk and return* factor is 17.41%. Sufficient evidence of validity is thus provided. The Cronbach alpha coefficient is 0.5937, suggesting that the measuring instrument used to measure the factor was unreliable. However, if item RR6 is removed from the analysis, then the Cronbach's alpha increases to 0.6402 and the factor *Risk and return* is therefore retained in further analysis.

TABLE 4.8: FACTOR 5 – RISK AND RETURN

Variance: 17.41%		Cronbach's alpha: 0.5937		
Item nr	Item	Factor loading	Item-total correl.1	Cronbach's alpha after deletion
RR1	Generally I prefer investments with little to no fluctuations in value while accepting lower returns on my investments	-0.3406	-	-
RR2	The expected returns on my investments influence my investment decisions	-0.6975	0.5310	0.4988
RR3	The ease of obtaining funds from the investment influence my investment decisions	-0.5010	0.2845	0.5642
RR4	The possible losses of investments influence my investment decisions	-0.5185	0.2985	0.5606
RR5	I am a conservative investor (accepting some risk)	-0.2592		
RR6	I am more interested in avoiding losses completely	-0.1190	0.0483	0.6402
RR7	I am willing to accept small risks	-0.4634	0.2372	0.5760
RR8	I am willing to accept moderate risk in order to achieve higher returns	-0.5913	0.3538	0.5485
RR9	I am willing to accept significant losses in order to receive high returns	-0.4480	0.2620	0.5716
RR10	I make major financial decisions focusing mainly on possible gains	-0.5578	0.3949	0.5310
RR11	I make major financial decisions focusing mainly on possible losses	-0.1840		
RR12	After a prior gain, I am more risk seeking than usual	-0.4043	0.2263	0.5788

Source: Researchers own compilation from statistical analysis

Therefore *Risk and return* is defined as young adults viewing risks as a necessity to achieve greater returns when investing.

4.3.6 FACTOR 6 – INVESTMENT BEHAVIOUR

Eight out of nine items (IB1, IB2, IB3, IB5, IB6, IB7, IB8, IB9) developed to measure *Investment behaviour* loaded as anticipated. Item IB4 did not load onto the factor and will therefore be excluded from further analyses. From Table 4.10 it can be seen that factors loading range from -0.2171 to -0.6845. The factor *Investment behaviour* explained 17.41% of the variance in data, which ensured validity. The Cronbach alpha coefficient for time horizon was 0.6563, showing the measuring instrument used to

measure the factor was reliable.

TABLE 4.9: FACTOR 6 – INVESTMENT BEHAVIOUR

Variance: 17.41%		Cronbach's alpha: 0.6563		
Item nr	Item	Factor loading	Item-total correl.	Cronbach's alpha after deletion
IB1	Market information is important when making investment decisions	-0.5500	0.3420	0.6269
IB2	I consider my instinct/ investment experience as most important factor when investing	-0.4487	0.3058	0.6357
IB3	Fundamental analysis is the most important factor in my selection of securities	-0.6845	0.4810	0.5906
IB4	My income level influences my investment behaviour	-0.2171	-	-
IB5	I consider investing to be an important factor in my life	-0.4167	0.2575	0.6479
IB6	I believe that my skills and knowledge of stock market can help me to outperform the market	-0.4181	0.2727	0.6514
IB7	Other investors' decisions of choosing stock types have impact on my investment decisions	-0.5510	0.3419	0.6270
IB8	I put the past trends of securities under my consideration for my investment	-0.6946	0.4804	0.5951
IB9	I buy performing securities and avoid securities that have performed poorly in the recent past	-0.5610	0.3442	0.6263

Source: Researchers own compilation from statistical analysis

Therefore *Investment behaviour* is defined as an individual's perceived attitude towards risk and the factors that influence the searching, acquiring and reviewing of the investment products made available (Ansari & Moid, 2013:27).

4.4 RESULTS OF THE DESCRIPTIVE STATISTICS

Descriptive statistics provides a summary of the data set and consists of the mean, standard deviation and frequency distribution of the sample. A 5-point Likert scale was adopted to measure the relationship between the dependent and the independent variables. For each of reference, the following interpretation was followed:

- Responses from $1.00 \leq x < 2.333$ were categorised as *disagree*
- Responses from $2.333 \leq x \leq 3.667$ were categorised as *neutral*

- Responses from $3.667 \leq x < 5.00$ were categorised as *agree*

The descriptive statistics results are presented in Table 4.11 below and are followed by a discussion.

TABLE 4.10: DESCRIPTIVE STATISTICS RESULTS

Factor	Mean	Standard deviation	Disagree	Neutral	Agree
Investment knowledge	3.22	0.750	15.68	59.14	28.17
Values	2.96	0.672	17.61	65.49	16.90
Attitude	2.94	0.886	23.25	54.23	22.54
Time horizon	3.00	0.796	21.83	58.45	19.72
Risk and return	3.65	0.500	2.11	42.25	55.63
Investment behaviour	3.50	0.560	2.11	59.15	38.73

Source: Researcher's own from statistical analysis.

The factor *Investment knowledge* reported a mean score of 3.22 with 59.14% of respondents being neutral about how their investment behaviour was influenced by knowledge obtained from friends, media and through keeping financial records. *Values* obtained a mean score of 2.96% while *Attitude* reported a mean score of 2.94%. The majority of the respondents for the *Value* factor were neutral (65.49%) about how their investment behaviour was influenced by personal, religious and family values and the actions of successful investors when investing. For *Attitude*, 58.23% of the respondents were neutral about how viewing money as a representation of one's success, most important goal in life and something that is there to be spent influenced their investment behaviour.

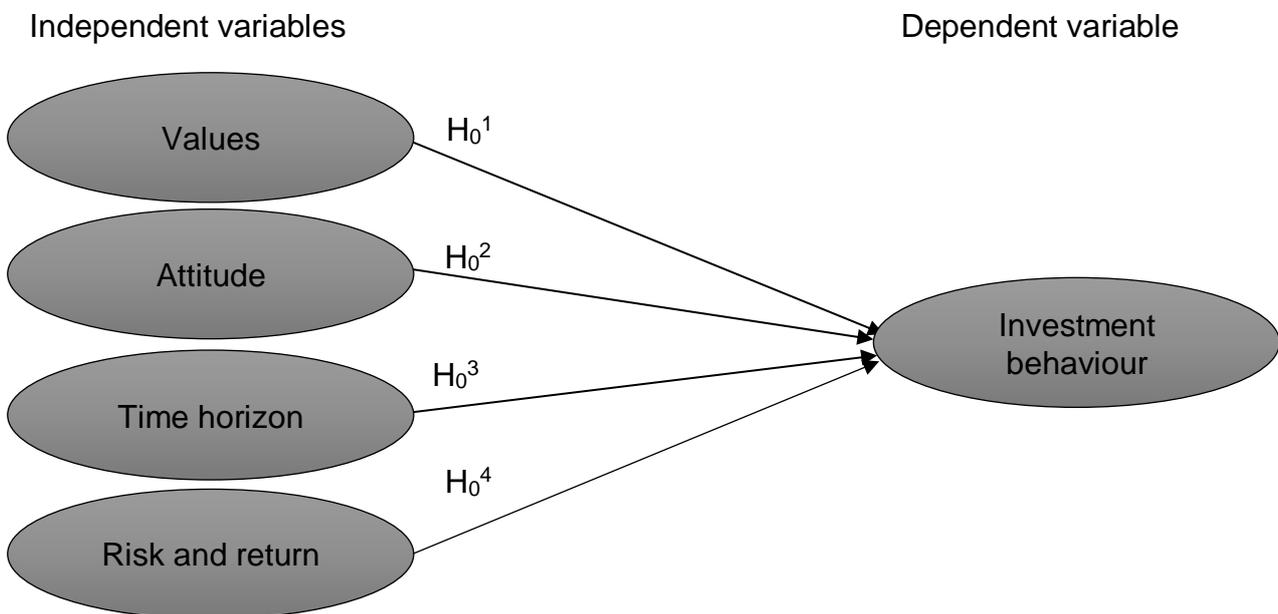
The majority of the respondents are neutral regarding Time horizon, Risk and return and Investment behaviour. With a mean of 3.00 for *Time horizon*, 58.45% of respondents were neutral about how the amount of time required when distributing in various investments to obtain investment goals influences their investment behaviour. For Risk and return, with the highest mean of 3.65, 42.25% of respondents were neutral about how viewing risks as a necessity to achieve greater returns influences investment behaviour.

The standard deviations show that the responses for each of the variables are closely knitted together. Table 4.11 shows that the factor *Risk and return* obtained the highest mean score of 3.65

4.5 REVISED HYPOTHESISED MODEL

The factors retained from the EFA resulted in a change to the hypothesised model presented in Figure 1.1. The revised hypothesised model is illustrated in Figure 4.2.

FIGURE 4.2: ADOPTED HYPOTHESISED MODEL OF FACTORS INFLUENCING YOUNG ADULTS PERCEPTIONS ON INVESTMENT



Source: Researcher's own

The following hypotheses are therefore formulated to illustrate the relationship between the independent and dependent variables:

- H₀¹ There is no significant relationship between *Values* and investment behaviour of young adults
- H₀² There is no significant relationship between *Attitudes* and investment behaviour of young adults
- H₀³ There is no significant relationship between *Time horizon* and investment behaviour of young adults
- H₀⁴ There is no significant relationship between *Risk and return* and investment behaviour of young adults.

4.6 PEARSON PRODUCT MOMENT CORRELATION COEFFICIENTS

The Pearson correlation coefficient was used to measure the associations between the independent and dependent variables and the results are presented in Table 4.12. The variables can be correlated positively and negatively and this is indicated by a positive (+) and negative (-) sign and defines the direction of the relationship, whether positive or negative (Stockburger, 2013.54).

Where the association or correlation is strong, the value will be above 0.5. Where the association is moderate, the value will be between 0.2 and 0.5. A correlation or association between 0 and 0.2 is deemed weak. A negative correlation value signifies the absence of relationship between the variables.

TABLE 4.11: PEARSON PRODUCT MOMENT CORRELATION COEFFICIENTS

Variable	Correlations (Final data collection) Marked correlations are significant at $p < .05000$ N=142 (Casewise deletion of missing data)						
	Means	Std Dev.	Val Mean	ATT Mean	TH Mean	RR Mean	IB Mean
Val Mean	2.96	0.672	1.000				
Att Mean	2.94	0.886	0.186	1.000			
TH Mean	3.00	0.796	-0.002	0.237	1.000		
RR Mean	3.69	0.533	0.350	0.142	0.169	1.000	
IB Mean	3.50	0.560	0.415	0.193	0.204	0.632	1.000

Resource: Statistical Analysis, Researcher's Own.

In Table 4.12 the coefficients in red are significant at a 95% level. ($p < 0.05$). Those in black are not significant.

According to Table 4.12, only one strong positive association was found between *Investment behaviour* and *Risk and return* ($r = 0.632$, $p < 0.05$). *Risk and return* and *Values* showed a moderate positive association ($r = 0.350$, $p < 0.05$). Moderate positive associations were also found between *Investment behaviour* and *Values* ($r = 0.415$, $p < 0.05$), *Attitude* and *Time horizon* ($r = 0.237$, $p < 0.05$) as well as *Time horizon* and *Investment behaviour* ($r = 0.204$, $p < 0.05$). Three weak positive associations were found between *Attitude* and *Values* ($r = 0.186$, $p < 0.05$), *Risk and return* and *Time horizon* ($r = 0.169$, $p < 0.05$) and *Investment behaviour* and *Attitude* ($r = 0.193$, $p < 0.05$). The association between *Risk and return* and *Attitude* ($r = 0.186$, $p > 0.05$) was positive but

not significant and the association between *Time horizon* and *Values* ($r = 0.186$, $p > 0.05$) was negative and also not significant.

4.7 MULTIPLE REGRESSION

The multiple regression analysis is an analysis conducted to investigate the existence of relationships between the independent and dependent variables. In this study the multiple regression analysis was used to determine the relationships between *Values*, *Attitude*, *Time horizon* and *Risk and return* (the independent variables) and *Investment behaviour* (the dependent variable). The results from the multiple regression analysis are presented in Table 4.13.

TABLE 4.12: INFLUENCE OF THE INDEPENDENT VARIABLES ON INVESTMENT BEHAVIOUR OF YOUNG ADULTS

N=142	Regression Summary for Dependent Variable: IB Mean (Final data collection) R= .67606705 R ² = .45706666 Adjusted R ² = .44121459 F(4,137)=28.833 p					
	b*	Std Err. of b	B	Std Err of b	t(137)	p-value
Intercept			0.5904	0.2806	2.1040	0.0372
Val Mean	0.2202	0.0683	0.1835	0.0569	3.2242	0.0016
ATT Mean	0.0527	0.0661	0.0333	0.0418	0.7968	0.4269
TH Mean	0.1027	0.0658	0.0722	0.0462	1.5611	0.1208
RR Mean	0.5297	0.0684	0.5563	0.0718	7.7455	0.0000

Source: Statistical analysis results.

Table 4.14 illustrates that the independent variables in the model explain 45.71% of the variance in the dependent variable. From Table 4.14 it can be seen that there is no significant relationship between *Values* and *Investment behaviour* ($b = 0.1835$; $p < 0.05$). However, there is a positive relationship between *Risk and return* and *Investment behaviour* ($b = 0.5563$; $p < 0.05$). As this relationship is positive, this suggests that if young adults understand risk and return, they are able to be more confident and comfortable to make investment decisions taking both the return and the associated risk into account. Young adults having the understanding of the various risks that are involved in investing influences their investment behaviour. Risks affect returns and returns are affected by time. Having an understanding of this will assist young adults when making investment decisions leading to a likelihood of a satisfactory income and growth they receive from their investments and eventually achieving their financial goals. Hypothesis H₀⁴ stating

that there is no relationship between *Risk and return* and *Investment behaviour*, is therefore rejected and the alternative hypothesis H_A^4 is therefore accepted.

This study found no significant relationships ($p > 0.05$) between *Attitude* and *Investment behaviour* (H_0^2), *Time horizon* and *Investment behaviour* (H_0^3). Whether these independent variables have an influence on the investment behaviour of an individual, in this particular study with the young adults that have participated, the variables have a positive but not a significant influence. Thus the null hypotheses H_0^2 , and H_0^3 were rejected and the alternative accepted.

4.8 SUMMARY

In this chapter the results of the study were presented. To begin the chapter, the data collection method is assessed and the demographic information is presented and discussed. The demographic information discusses investment activity of respondents and reasoning behind a lack of investment activity among young adults. The validity and reliability of the measuring instrument is also evaluated on the varying factors. *Values*, *Attitude*, *Time horizon* and *Risk and return* are identified as reliable and having a possible influence on Young adults perception on investment behaviour.

The Pearson correlation coefficients were calculated and significant and positive relationships were found between *Risk and return* and *Investment behaviour*, *Risk and return* and *Values*, and *Values* and *Investment behaviour*. The multiple regression analysis was conducted and the independent variable that had an influence on the perception of young adults on investment behaviour planning was *Risk and Return*.

In Chapter Five, the final chapter of this study, a summary of the study is presented as well as recommendations based on the results of the study. Areas for future studies will be identified, and the limitations of the current study will be highlighted. The significance of the study will be presented as well as the reflections of learning will be provided.

CHAPTER 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

In Chapter Four the results of the study according to the questionnaire, consisting of section A and section B, are presented and discussed. The primary objective of this study was to *investigate young adult's perception on investment planning*. As an investigative means the questionnaire developed evaluated the relationships between the independent and dependent variables in Section A and in Section B, it analysed the respondent's demographic data. Chapter Four investigated whether there was a relationship between the independent variables (*Attitude, Values, Time Horizon and Risk and return*) and the dependent variable (*Investment Behaviour*). Through the conduction of the Multiple Regressions Analysis, the independent variable that had an influence on the perception of young adults on investment planning was *Risk and Return*.

In this final chapter, an overview of the study and an interpretation of the findings are presented. The results and recommendations are presented as well as contributions, suggestions and limitations for the purposes of future study.

5.2 SUMMARY OF THE RESEARCH OBJECTIVES

Chapter One stated that young adults are saving but not investing and this is a result of individuals differing substantially in the investment options they choose. This is because they face different costs of planning and make use of different information when choosing the most suitable investment option. Therefore, as discussed in Chapter One, the primary objective of this study was to *investigate the factors influencing the investment behaviour (planning) of young adults* in the Nelson Mandela Metropole. The aim to investigate whether young adults engage in investment activities and to determine what factors influence investment behaviour. In order to achieve the primary and secondary objectives of the study, the following secondary objectives were formulated:

- To conduct a literature review of the various factors influencing investment behaviour and of the investment behaviour of young adults.
- To propose a hypothesised model that reflects the relationships between the independent variables and the dependent variable (investment behaviour).

- To determine the appropriate research design and methodology to address the identified research problem and research objectives of the study.
- To develop an appropriate measuring instrument that will be used to empirically test whether the independent variables have an influence on the dependent variable.
- To provide a conclusion and make recommendations to young adults about the different investment schemes available to them and to financial planners.

5.3 OVERVIEW OF LITERATURE

Chapter Two begins by defining young adults and how the young adults of today experience milestones at a later stage compared to previous generations. This is due to setbacks which may hinder them in achieving their full success. The life cycle sequence of eras was also explained.

In Chapter Two a comprehensive overview on factors influencing investment behaviour was also provided. Investment behaviour was defined as individuals' perceived attitude towards risk and the factors that influence decision making when acquiring investment products. The five factors that influence individual's investment behaviour were identified, namely, *Investment knowledge*, *Values*, *Attitudes*, *Time horizon* and *Risks and Returns*.

Investment knowledge was explained as young adults having knowledge about the investment options made available to them and how this knowledge is strongly influenced by their parent's financial decisions. Investment knowledge was seen as pivotal in an individual's life as the lack of it will impact young adult's financial decisions. *Values* was defined as what young adult's standards of what was desirable, worthwhile and a priority in their life. Values play a vital role in deciding what to invest in as investment behaviour is an expression of an individual's personal values therefore, leading to maximum financial satisfaction. Values that hinder one from participating in investment activities were also explained. *Attitudes* was referred to as individual's attitude towards money that is formed in the process of developing personal experience, dealing with present and future decisions, one's culture, family and religion.

Time horizon was defined as the time period investors would invest their funds in to obtain their investment goals. The time frame a young adult chooses will depend on their goals and objectives when investing. *Risk and return* was referred to as a probability of

return from an investment and the different types of risks and methods to manage risk were further explained

5.4 SUMMARY OF RESEARCH DESIGN

Chapter Three was an overview of research design and methodology, discussing the two research paradigms; positivistic research and phenomenological research paradigm. The positivist research paradigm was used for this study and was defined as a method used to study the relationship between two variables with the primary goal being to analyse and represent that relationship mathematically through a scientific investigation. Primary data was obtained through the distribution of a questionnaire. The population for this study were young adults within the Nelson Mandela Metropole area. Through the use of convenience and snowball sampling, 200 individuals were selected as the sample.

Once the primary data was collected it was captured and cleaned and analysed using Statistica Version 13. To access the validity of the study an exploratory factor analysis was conducted. Cronbach's Alpha coefficients were calculated to determine the internal reliability of the questionnaire items. In addition to this, the Pearson product-moment correlation coefficient was used to measure the statistical relationship between variables. Where if the association with variable was strong the value will be 0.5 and above, if it was moderate, the value will be between 0.25 and 0.5 while if the relationship was weak it will be between 0 and 0.25. Furthermore, the Multiple regression was used to conduct a relationships analysis between the independent and dependent variables by determining what influence an independent variable has on a dependent variable to estimate the strength of these relationships.

Secondary data was collected by means of secondary research by consulting a variety of relevant textbooks, academic journals, articles and websites. In addition, the library facilities available at the Nelson Mandela Metropolitan University will be used to access databases, such as Emerald, EBSCOhost and Sabinet.

5.5 RESULTS OF THE EMPIRICAL INVESTIGATION

Four indicating that the majority of the respondents were Black. Considering the age range, the majority were between the ages of 20 and 25. The majority of the respondents were female and possessing either a grade 12 certificate or postgraduate degree.

To assess the construct validity of the factors in the hypothesised model an Exploratory Factor Analysis (EFA) was conducted and the factors were redefined where necessary. For the purposes of this study a minimum factor loading of 0.6 was considered to measure the measuring instrument's construct validity. Out of the five independent variables; *Investment Knowledge*, *Values*, *Attitude*, *Time Horizon* and *Risk and Return*, only three factors loaded together (*Attitudes*, *Values* and *Time Horizon*). Four items intending to measure *Attitudes* (ATT1, ATT4, ATT6 and ATT7), six items intending to measure *Values* (VAL1, VAL2, VAL3, VAL4, VAL5 and VAL6), and four items intending to measure *Time Horizon* (TH1, TH2, TH3 and TH4) loaded on *Investment Behaviour*. *Investment Behaviour*, according to this study, refers to an individual's perceived attitude towards risk and the factors that influence the searching, acquiring and reviewing of the investment products made available. Regardless of the factors loading onto *Investment Behaviour*, the factor remained unchanged.

Each factor that emerged from the EFA measure of reliability's Cronbach's alpha coefficients were calculated. Out of the five factors three factors has a Cronbach alpha coefficient greater than 0.6 namely; *Attitudes*, *Time Horizon* and *Values*. The factors *Risk and Return* and *Investment Knowledge* had coefficients less than 0.6. The Cronbach alpha coefficients for *Attitudes*, *Time Horizon* and *Values* all suggest that the independent variables and the dependent variable, *Investment Behaviour*, were reliable. The results of the Exploratory Factor Analysis (EFA) resulted in the revision of the original hypothesised model.

The Pearson Product Moment Correlation was calculated to measure the statistical relationship between the data paired. There were positive correlations, one strong and three moderates. The highest correlation or association was between *Investment Behaviour* and *Risk and Return*. A negative correlation appeared, however, between *Time Horizon* and *Values*.

5.6 RECOMMENDATIONS

As young adults enter financial independence, learning financial management skills is one of the pivotal developmental tasks. The financial practices they learn serve the basis of how they will make financial decisions in the future. Chapter One stated how there is a difference between saving and investing in that saving provides provision for unexpected financial emergencies whereas investing placing those funds into a return earning avenue in order to increase wealth. Chapter Two and Four states the challenges that young adults face that prevent them from investing.

In Chapter Four, respondents stated that the reason that they do not invest is because of the lack of financial knowledge. Introducing financial knowledge in schools from a young age will assist young adults in making more informed investment and general financial decisions. Parents should also teach and involve children in finance decisions as their knowledge and views of money will fall onto the children as stated in Chapter Two.

In order to understand the risks and how to successfully attain returns or growth over time, young adults can attend investment workshops, conferences or seminars. These methods of acquiring investment knowledge allows young adults to be taught, by experts, the strategies to investing, the varying risks that come with investing, how these risks affect returns overall, investing in different markets which lead to successful investment decisions. Therefore, concurring with the respondents who stated that providing workshops and seminars will be beneficial for young adults. Young adults should consult with financial or investment advisors to express their financial goals. This allows them to be taught or advised about the correct investment markets to invest, how to build their investment portfolio, the risk they should or should not take according to those markets.

Another recommendation would be that to inform young adults that one does not need to have a lot of money to start investing. One should start with small manageable premiums that mature and be beneficial in the long run or invest in tax free investments which require a minimum contribution of R200- R400 per month. Furthermore, young adults should be informed about the benefits of investing money for longer periods of time because as in Chapter 2 in investment knowledge, individuals are withdrawing their funds too early. This is reflected in Chapter 4 where majority of respondents stated that

their investment horizon is less than 10 years. Thus, this will result for individuals to not have financial security to sustain their life after retirement. There were also respondents that suggested the need for the media to be involved in educating young adults on the importance of investing and learning how to invest through broadcasting as either televised programs or advisements. This will be beneficial as young Adults, Millennials or Generation Z use technology not only as means to connect with loved ones or entertain but also as an educational system that makes learning convenient. If investment knowledge is to be taught through the use of social media, young adults will learn.

5.7 LIMITATIONS OF THE STUDY

The study faced a few limitations with regards to the information gathering process which needs to be considered when interpreting the study. Firstly, the extracted sample for this study was 200 young adults located in the Nelson Mandela Metropole area. This was due to time and resource limitations that was faced. Therefore, will not be an accurate representation of South African young adult's view of investment. Secondly, the majority of the respondents who participated in the study were Black (66%), second highest number of respondents were Coloured (17%), White (7.75%), Indian (3.52%), Asian (1.41%) and a small group of young adults (2.82%) who were not willing to disclose their ethnicity. As the results state there was over representation. For the purposes of future studies, the use of a stratified or quota sampling method will assist in avoiding over representation.

Furthermore, in conducting the literature review, there was limited information with regards young adult's investment behaviour, values, attitude and perception on investment in South Africa. Finally, time constraints were another limitation with regards to the completing of this study providing limited time to explore all avenues to gather information

Regardless of the limitations, the research provides a significant contribution to the existing body of literature on Investment planning. The opportunities for further investigation into financial and investment planning exist, including further investigation on the young adult's perception on investment or investment planning

5.8 FUTURE RESEARCH

The study's primary focus was young adults located within the Nelson Mandela Metropole. Therefore further investigation needs to be undertaken in South Africa to gain insight on young adult's perception on investment.

5.9 LEARNING AND REFLECTION

Before constructing this treatise, the researchers had never developed a research instrument, nor had they ever conducted an in depth empirical investigation. Statistical measures utilised in this study such as the Statistica 13 software, proved to be a challenge, but this challenge was soon overcome. With regards to young adults' perceptions of investment planning, the researchers have learnt more about investment planning. They are now more knowledgeable about the factors that influencing the perceptions young adults.

5.10 CONCLUSIONS OF THE STUDY

The primary focus was on young adults' perception on investment planning and how varying independent factors, (*Values, Attitudes, Risk and return, Time horizon* and *Investment knowledge*) affect the dependent variable, *Investment behaviour*. This investigation provided a close insight into these influences from the young adult's perception.

There is great importance in young adults being financially literate and understanding the importance of investment planning. It is in the young adult phase where personal financial decisions, especially long term, are made. Being financially literate allows for informed decisions to be made leading to beneficial results and other benefits of financial independence. From the study, it is seen that young adults are not as financially literate and thus hold minimal knowledge on investment planning. Thus, it is important that knowledge pertaining to finance and investing is available to individuals from a young age through the education system and also in the home. For the young adult, assistance from financial advisors is important to improve their knowledge and attain financial independence.

The study has made a significant contribution to the body of knowledge on the perception of young adults on investment planning. This study has not only assisted in providing knowledge about their perceptions but has offered recommendations from the young

adults which is beneficial to financial advisors. It is hoped that with the findings of this study there is a change in

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ANNEXURE A: SAMPLE QUESTIONNAIRE



South Campus
DEPARTMENT OF BUSINESS MANAGEMENT
Janine.kruger@mandela.ac.za Tel: +27(0)41 504
1124

July – August 2019

Dear Respondent

RESEARCH PROJECT: YOUNG ADULTS' PERCEPTION ON INVESTMENT

Thank you for your willingness to assist us in this research project. This research focuses on the factors influencing young adults' perception on investment and will be conducted in the Nelson Mandela Metropole. It is conducted by Ms. Unathi Thisani and Ms. Ruvimbonashe

Munyoro who are currently doing their Post Graduate Diploma In the department of Business Management. Attached please find a questionnaire to be completed for the purpose of this study.

There have been studies proving that there are multiple factors influencing young adult's investment behaviour, therefore, this research is being done so as to gain better understanding of these factors and to make recommendations so young adults will be able to make more sound financial decisions.

The first set of questions, section A, comprises of several statements relating to your perspective regarding certain factors influencing investments. Please indicate the extent of your agreement with these statements by placing a cross (X) in the appropriate column. The next set of questions, section B, requires basic demographic data. The questionnaire should take about 20-25 minutes to complete.

Please complete the attached questionnaire honestly as there is no right or wrong answer. Even though no confidential information is required, your responses will be treated with the strictest confidentiality and your individual results will be kept anonymous. You may also opt out at any time during the study and your participation is voluntary.

Thank you once again for your willingness to contribute to the success of this important research project.

Yours faithfully

A handwritten signature in cursive script, appearing to read 'U. Thisani'.

Unathi Thisani (PG Diploma Student)
Cell: 083 272 9182

A handwritten signature in cursive script, appearing to read 'R. Munyoro'.

Ruvimbonashe Munyoro (PG Diploma Student) Cell: 078 766 8817

A handwritten signature in cursive script, appearing to read 'J. Krüger'.

Prof J Krüger (Supervisor)

A handwritten signature in cursive script, appearing to read 'C. Rootman'.

Prof C Rootman (Co-supervisor)

SECTION A: YOUNG ADULTS' PERCEPTION ON INVESTMENT

Please proceed to answer the following questions based on your own perceptions. There is no right or wrong answer. Please indicate to what extent that you agree with the following statements, namely (1) strongly disagree, (2) disagree, (3) neutral, (4) agree and (5) strongly agree by placing a cross (X).

My perception regarding investments:		SD ----- SA				
1	I make major financial decisions focusing mainly on possible gains	1	2	3	4	5
2	I am willing to accept significant losses in order to receive high returns	1	2	3	4	5
3	Money in the bank is a sign of security	1	2	3	4	5
4	I consider investing to be an important factor in my life	1	2	3	4	5
5	My family members' opinions guide my investment decisions	1	2	3	4	5
6	I find it more satisfying to spend money than to save it for the long term	1	2	3	4	5
7	The possible losses of investments influence my investment decisions	1	2	3	4	5
8	I believe that my skills and knowledge of stock market can help me to outperform the market	1	2	3	4	5
9	The expected returns on my investments influence my investment decisions	1	2	3	4	5
10	My income level influences my investment behaviour	1	2	3	4	5
11	My personal values guide me when investment behaviour	1	2	3	4	5
12	I plan to withdraw funds from my investments in the short term – within the next 5 years	1	2	3	4	5
13	I am a conservative investor (accepting some risk)	1	2	3	4	5
14	I am more interested in avoiding losses completely	1	2	3	4	5
15	After a prior gain, I am more risk seeking than usual	1	2	3	4	5
16	I am willing and able to bear the consequences of a loss to maximise my returns	1	2	3	4	5
17	I am in control of my expenses	1	2	3	4	5
18	Money is a symbol of success	1	2	3	4	5
19	I am concerned about losses as well as returns	1	2	3	4	5
20	I gained financial knowledge from the media and the internet	1	2	3	4	5
21	I gained financial knowledge from my family and friends	1	2	3	4	5
22	I gained financial knowledge from my studies at school and/or university	1	2	3	4	5
23	Money can buy everything	1	2	3	4	5
24	Fundamental analysis is the most important factor in my selection of securities	1	2	3	4	5
25	Money represents one's achievements	1	2	3	4	5
26	Market information is important when making investment decisions	1	2	3	4	5

27	I am preparing for my retirement	1	2	3	4	5
28	My religious beliefs guide my investment decisions	1	2	3	4	5

My perception regarding investments:		SD ----- SA				
29	Generally I prefer investments with little to no fluctuations in value while accepting lower returns on my investments	1	2	3	4	5
30	I am financially secure	1	2	3	4	5
31	I buy performing securities and avoid securities that have performed poorly in the recent past	1	2	3	4	5
32	I maintain financial records of all my income and expenses	1	2	3	4	5
33	Money is the most important thing (goal) in my life	1	2	3	4	5
34	I plan to withdraw funds from my investments in the long term – after 10 years	1	2	3	4	5
35	I consider my instinct/ investment experience as most important factor when investing	1	2	3	4	5
36	Once I begin withdrawing from my investments, I intend to spend the funds immediately	1	2	3	4	5
37	I use a budget showing what portion of income will be used for expenses and what will be saved for later consumption	1	2	3	4	5
38	I set long term financial goals and strive to achieve them	1	2	3	4	5
39	The ease of obtaining funds from the investment influence my investment decisions	1	2	3	4	5
40	Money is there to be spent	1	2	3	4	5
41	I am willing to accept moderate risk in order to achieve higher returns	1	2	3	4	5
42	I gained financial knowledge from my financial advisor	1	2	3	4	5
43	I make major financial decisions focusing mainly on possible losses	1	2	3	4	5
44	My financial decisions are influenced by people who have money	1	2	3	4	5
45	Before I buy something, I carefully consider whether I can afford it	1	2	3	4	5
46	I tend to live for today and let tomorrow take care of itself	1	2	3	4	5
47	I follow the spending, saving and investing habits of my family	1	2	3	4	5
48	I plan to withdraw funds from my investments in the medium term – within 5 to 10 years	1	2	3	4	5
49	I am willing to accept small risks	1	2	3	4	5
50	I put the past trends of securities under my consideration for my investment	1	2	3	4	5
51	Once I begin withdrawing funds from my investments, I intend to spend the funds within the next 5 years	1	2	3	4	5
52	Other investors' decisions of choosing security types impact my investment decisions	1	2	3	4	5

SECTION B: DEMOGRAPHIC INFORMATION AND GENERAL INFORMATION

Please mark your selection with an X.

1 Gender

Male	1	Female	2
------	---	--------	---

2 Age category (for statistical purposes only)

18 - 20	1	20 - 25	2	26 - 30	3	31 - 35	4
---------	---	---------	---	---------	---	---------	---

3 Ethnic group (for statistical purposes only)

Asian	1	Black	2	Coloured	3	Indian	4	White	5	Not willing to say	6
-------	---	-------	---	----------	---	--------	---	-------	---	--------------------	---

4 Please indicate your highest qualification obtained:

Grade 12	1
Diploma	2
Bachelor Degree	3
Postgraduate Degree	4
Other (Please specify)	5

5 Please indicate your current employment situation:

Full-time	1
Part-time	2
Retired	3
Unemployed	5
Student	6
Other (Please specify)	7

6 Do you invest

Yes	1	No	2
-----	---	----	---

If no, please state why

7 Please indicate your investment horizon:

When investing, I plan to keep my investment for a period less than 5 years	1
When investing, I plan to keep my investment for a period of 5 to 10 years	2
When investing, I plan to keep my investment for a period longer than 10 years	3

8 Please make suggestions about methods that can be used to encourage young adults to invest and to increase their success when making investments

THANK YOU VERY MUCH FOR YOUR PARTICIPATION

ANNEXURE B: TURNITIN

preferences



Originality Report

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By Unathi Thisani

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DEPARTMENT OF BUSINESS MANAGEMENT RESEARCH PROPOSAL YOUNG ADULTS' 4

PERCEPTION OF INVESTMENT PLANNING RUVIMBONASHE DOREEN MUNYORO s219979987 and UNATHI THISANI s215075447
 SUPERVISOR: PROFESSOR JANINE KRÜGER CO-SUPERVISOR: PROFESSOR CHANTAL ROOTMAN DATE SUBMITTED: 28 OCTOBER 2019
 DECLARATION We, Unathi Thisani and Ruvimbonashe Doreen Munyoro, hereby certify that: ? the content of this treatise title, "Young adults' perceptions of investment planning", is our own original work; ?

sources used and quoted have been acknowledged and documented by means complete references; and ? this treatise has not been previously submitted for a degree at any other 10

tertiary institution UNATHI THISANI RUVIMBONASHE DOREEN MUNYORO Port Elizabeth October 2019 i

ACKNOWLEDGEMENTS We would like to express our deepest appreciation to all who contributed in making this 27

research study possible. We

would like to acknowledge the following people: ? First and foremost, to 43

- 1 4% match (Internet from 22-Oct-2018)
<https://core.ac.uk/download/pdf/145052475>
- 2 1% match (student papers from 25-Mar-2019)
[Submitted to Nelson Mandela Metropolitan University](#)
- 3 1% match (Internet from 19-Dec-2013)
<http://eprints.uitm.edu.my>
- 4 1% match (student papers from 18-Mar-2019)
[Submitted to Nelson Mandela Metropolitan University](#)
- 5 1% match (student papers from 11-Oct-2016)
[Submitted to University of Cape Town](#)
- 6 1% match (student papers from 01-Sep-2014)
[Submitted to Indian Institute of Technology Roorkee](#)
- 7 1% match (Internet from 06-Apr-2019)

ANNEXURE C: ETHICS FORM E



FACULTY OF BUSINESS AND ECONOMIC SCIENCES

ETHICS CLEARANCE FOR TREATISES / DISSERTATIONS / THESES

Instructions:

- Should be completed by study leader and student
- Must be signed off by student, study leader and HoD
- Please note that by following this Proforma ethics route, the study will NOT be allocated an ethics clearance number

FACULTY: Business and Economic Sciences

SCHOOL / DEPARTMENT: School of Management Sciences / Business Management

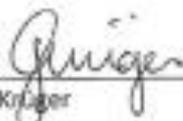
I, Kröger, J the study leader for Munyoro, RD (219979987) and Thisoni, U (215075447) candidates for the diploma of Postgraduate Diploma in Financial Planning with a treatise entitled Young adults' perception of investment planning considered the following ethics criteria:

		YES	NO
1.	Is there any risk of harm, embarrassment of offence, however slight or temporary, to the participant, third parties or to the communities at large?		X
2.	Is the study based on a research population defined as 'vulnerable' in terms of age, physical characteristics and/or disease status?		X
2.1	Are subjects/participants/respondents of your study:		
2.1.1	Children under the age of 18?		X
2.1.2	NMMU staff?		X
2.1.3	NMMU students?		X
2.1.4	The elderly/persons over the age of 60?		X
2.1.5	A sample from an institution (e.g. hospital/school)?		X
2.1.6	Handicapped (e.g. mentally or physically)?		X
3.	Does the data that will be collected require consent of an institutional authority for this study? (An institutional authority refers to an organisation that is established by government to protect vulnerable people)		X
3.1	Are you intending to access participant data from an existing, stored repository (e.g. school, institutional or university records)?		X
4.	Will the participant's privacy, anonymity or confidentiality be compromised?		X
4.1	Are you administering a questionnaire/survey that:		
4.1.1	Collects sensitive/identifiable data from participants?		X
4.1.2	Does not guarantee the anonymity of the participant?		X
4.1.3	Does not guarantee the confidentiality of the participant and the data?		X
4.1.4	Will offer an incentive to respondents to participate, i.e. a lucky draw or any other prize?		X
4.1.5	Will create doubt whether sample control measures are in place?		X
4.1.5	Will be distributed electronically via email (and requesting an email response)?		X

		YES	NO
	Note: <ul style="list-style-type: none"> • if your questionnaire DOES NOT request respondents' identification, is distributed electronically and you request respondents to return it manually (print out and deliver/mail); AND respondent anonymity can be guaranteed, your answer will be NO. • if your questionnaire DOES NOT request respondents' identification, is distributed via an email link and works through a web response system (e.g. the university survey system); AND respondent anonymity can be guaranteed, your answer will be NO. 		
5.	Do you wish to publish an article from this study and submit to an accredited Journal?		X

Please note that if ANY of the questions above have been answered in the affirmative (YES) the student will need to complete the full ethics clearance form (REC-H application) and submit it with the relevant documentation to the Faculty RECH (Ethics) representative.

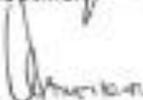
and hereby certify that the student has given his/her research ethical consideration and full ethics approval is not required.


 J Kruger

16/4/19
 DATE


 C Rootman

16/4/19
 DATE


 HEAD OF DEPARTMENT

23/04/2019
 DATE


 RD Munyori

16/4/19
 DATE


 U Thisani

16/04/19
 DATE