ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

THE EFFECT OF FINANCIAL LITERACY ON FINANCIAL DECISION MAKING IN LOCAL NON-GOVERNMENTAL ORGANIZATIONS

BY

AFOMIA ADMASU

SGS/0106/2015B_B

DECEMBER,2024

ADDIS ABABA

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A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF

GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE

REQUIREMENTS FOR THE DEGREE OF MASTERS OF BUSINESS ADMINISTRATION (MBA)

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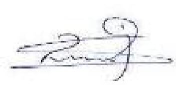
Yibeltal Nigussie (Asst. Prof.)		
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DECLARATION

I hereby declare that this thesis is my original work, prepared under the guidance of my thesis advisor, Alazar Amare (Assistant Professor). All sources of materials utilized in this thesis have been properly acknowledged. Furthermore, I confirm that this thesis has not been submitted, either partially or in full, to any other higher institution for the purpose of obtaining a degree.

Signature

Name of the student

Date of submission

CERTIFICATION

This is to certify that Afomia Admasu has done the study on the topic of "The effect of financial literacy on financial decision making in local Non-Governmental organizations" Submitted to St. Mary's University, school of graduate studies a research thesis for partial fulfillments of the requirement of degree of Masters of Art in Business Administration done by Afomia Admasu, ID No SGS/0/2015B_B.Therefore; the study is original and has not been done before by any other researcher at the same topic. Advisor

Name____

Signature____

Acknowledgment

I would like to express my gratitude to Dr. Alazar Amare for his assistance with this proposal. His guidance and support were invaluable in improving its quality. I appreciate his mentorship and encouragement, which motivated me to strive for excellence. I would like to thank my entire family and friends for their endless support.

Acronyms

- FEG: Financial Literacy Expert Group
- FENAID: Fikir Ethiopian National Association for Intellectual Disability
- GTF: Gudina Tumsa Foundation
- INFE: International Network on Financial Education
- NGO: Non-Governmental Organization
- OECD: Organisation for Economic Co-operation and Development
- SPSS: Statistical Package for the Social Sciences

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Abstract

This study examines how financial literacy influences decision-making within local non-governmental organizations (NGOs) in Addis Ababa, Ethiopia, with a focus on NGOs that support individuals with intellectual disabilities. Financial literacy is an essential skill for making sound financial decisions, and this research investigates whether a greater understanding of finances among NGO employees leads to better financial choices for their organizations. By surveying decision-makers in five selected NGOs, the study gathered quantitative data through questionnaires to explore how knowledge, behaviors, and attitudes about money impact financial decisions.The findings reveal that financial knowledge plays a significant role in improving financial decision-making. Employees with a strong understanding of financial concepts tend to make more informed, effective choices. On the other hand, financial behavior, such as being overly cautious or risk-averse, can sometimes limit the flexibility needed for sound decisions. Financial attitude, though important, has a weaker effect on decision-making compared to knowledge, suggesting that while a positive mindset helps, it's the practical understanding of finances that truly drives better decisions.In conclusion, financial literacy is crucial for enhancing decision-making in NGOs, especially in the non-profit sector where careful management of resources is essential. The study recommends providing employees with ongoing financial education, focusing on key areas such as budgeting, risk management, and strategic planning. By fostering a culture of financial awareness and equipping staff with the right tools, NGOs can improve their financial decisions and better support their missions.

Key Words: Financial Literacy, Decision-Making, NGOs, Intellectual Disabilities, Financial Knowledge, Financial Behavior, Financial Attitude, Budgeting, Addis Ababa, Ethiopia, Non-Profit Sector, Resource Management, Financial Education.

Chapter One

1. Introduction

This research aimed to examine the influence of financial literacy on financial decision-making within local NGOs. It sought to explore how the level of financial literacy among personnel within these organizations affects their decision-making processes regarding monetary matters. The study investigated the relationship between financial literacy and decision-making, with a focus on understanding the extent to which financial literacy affects the quality and effectiveness of decision-making in the context of local NGOs. This chapter provides an introduction to the background of the research, outlines the research objectives and questions, presents hypotheses, defines the scope of the study, discusses its significance, outlines the organization of the study, and provides operational definitions of key terms.

1.1 Background of the Study

Finance may appear complex to many, yet it plays a vital role in our everyday lives and societal structures. Acquiring knowledge and comprehension of financial matters can empower individuals to make informed and prudent economic choices (Lusardi, 2008, pp. 19-20). Financial literacy can be defined as the foundational knowledge and competencies required for individuals to effectively navigate financial matters and make informed decisions regarding their financial resources (Lusardi & Mitchell, 2011). Although several definitions of financial literacy have been proposed over the past decades, there is no universally accepted meaning. Financial literacy can be described as the extent to which an individual comprehends and applies information related to personal finance. It encompasses the capacity to make well-informed assessments and effective choices regarding the utilization and handling of money (Noctor, Stoney, & Stradling, 1992; Beal, Diana, & Sarah, 2003; ANZ, 2008).

While various definitions of financial literacy are in use, they all generally refer to individuals' capability to access, comprehend, and assess information necessary for making sound financial decisions to safeguard their financial future. Following an extensive review of literature on the subject, Huston (2010) posited that financial literacy should also encompass the application of financial knowledge. This argument suggests that without demonstrated proficiency in applying financial knowledge, an individual cannot be considered financially literate. According to the OECD (2020), financial literacy is composed of a combination of awareness, knowledge, skills, attitudes, and behavior essential for potential entrepreneurs or owners/managers of micro, small, or medium-sized enterprises to effectively make financial decisions in launching, operating, and ensuring the sustainability and expansion of their businesses.

The key competencies of financial literacy are: money basics, budgeting, saving and planning, borrowing and debt literacy, financial products, and recourse and self-help. The need for financial literacy has become increasingly significant with the deregulation of financial markets, easier access to credit, the ready issue of credit cards, and the rapid growth in marketing financial products. According to Mandell (2008), there should be more emphasis on increasing the level of financial literacy as this would help in achieving many objectives such as promoting public knowledge and understanding of the financial system as well as enhancing consumer protection and eliminating financial crime. As per Ambre (2012), financial literacy begins within the household, where children are taught the fundamentals of managing money, including the importance of saving and making wise spending choices.

Personal finance encompasses all financial decisions and actions undertaken by an individual, ranging from budgeting household income and expenses to making savings, investments, mortgage, insurance, and other financial decisions. The cornerstone of effective personal finance management lies in financial planning, which entails assessing one's financial status and establishing both short-term and long-term financial objectives. It encompasses an understanding of various financial concepts, such as budgeting, saving, investing, debt management, and risk assessment. Financial literacy enables individuals to comprehend financial instruments and products, interpret financial statements, and evaluate financial risks and opportunities. Other definitions, however, focus on a broader, more everyday approach, like the one given by ANZ

Bank (Hung et al., 2009, p. 6): “The ability to make informed judgments and to take effective decisions regarding the use and management of money.”

Financial decision-making, in relation to financial literacy, involves applying one's understanding and knowledge of financial concepts, tools, and strategies to make informed and effective choices regarding financial matters. Financial literacy provides individuals with the necessary foundation to assess financial options, interpret financial information, and evaluate potential risks and rewards associated with different courses of action (Lusardi & Mitchell, 2014). Research has highlighted the significance of personal finance management skills, not only within the banking and financial sectors but also for employees in various other industries. Competency in personal finance management is essential for making sound daily decisions, which ultimately contributes to the welfare of households. However, achieving responsible decision-making requires financial literacy, enabling individuals to comprehend diverse financial services and navigate financial choices effectively.

In Ethiopia, particularly in the Jimma District, studies have focused on examining the effect of financial literacy on personal finance management among employees in both financial and non-financial sectors, aiming to enhance understanding in this area. To fulfill their mission effectively and ensure efficient resource utilization, NGOs must possess the capacity to manage and make decisions concerning their financial resources. This entails a broad spectrum of financial management activities, ranging from strategic resource planning to fundraising and the allocation of funds. At its core, financial management involves fundamental decisions akin to those made by individuals, such as whether to establish a savings account or acquire a loan. The quality of these decisions hinges on an organization's understanding of its available financial resources and the various avenues for their utilization. Entities, whether individuals or organizations, lacking financial skills are prone to making suboptimal decisions with enduring adverse consequences.

Financial literacy is increasingly recognized as a crucial factor in organizational decision-making across various sectors (Lusardi & Mitchell, 2014; Mandell & Klein, 2009). In the context of local NGOs, where resources are often limited and challenges abound, the importance of effective financial management is heightened (Anheier & Ben-Ner, 2003). This is particularly important for NGOs operating in resource-constrained environments, where every dollar must be maximized to achieve the organization's mission (Frumkin & Kim, 2001).

A recent study conducted in Algeria further explores the impact of financial literacy on decision-making processes. This study, which collected quantitative data from 295 participants through an online survey using the snowball sampling method, aimed to investigate the correlation between financial knowledge, financial behavior, financial attitude, and decision-making. The data was analyzed using simple linear regression. The findings suggest that merely possessing financial knowledge does not significantly affect the decision-making process. However, financial attitudes and behaviors were found to have a positive influence on decision-making. These results highlight the importance of considering financial attitudes and behaviors alongside financial knowledge to enhance individuals' decision-making abilities. The study provides valuable insights that can guide the development of tailored financial literacy programs, thereby empowering individuals in Algeria to make informed and effective financial decisions within their unique socio-economic environment.

Despite extensive research on financial literacy and decision-making, there is a noticeable gap regarding its impact on local non-governmental organizations (NGOs). Most studies have focused on individuals and households, neglecting the organizational context, particularly NGOs, which often operate in resource-constrained environments and make crucial decisions affecting their sustainability and effect. My study addresses this gap by exploring how financial knowledge, behavior, and attitudes influence decision-making in local NGOs. This research aims to enhance financial management practices, contributing to the effectiveness and sustainability of these organizations. By providing empirical evidence and practical recommendations, this study informs and galvanize initiatives to improve financial literacy in these local NGOs. This thus contributes a context-specific perspective to the broader discourse on financial literacy and organizational decision-making as a whole.

Therefore, by investigating the relationship between financial literacy and decision-making within local NGOs, this study aims to provide empirical evidence to support the rationale for investing in financial education and capacity-building initiatives. By strengthening the financial literacy of local NGOs, we can enhance their ability to fulfill their missions, drive positive social change, and contribute to sustainable development outcomes in their communities.

1.2 Statement of the problem

Business financial outcomes are shaped by the decisions made by firms, which are closely tied to their understanding of financial matters. Financial literacy plays a crucial role in the decision-making process of firms and subsequently affects their performance (Adomako & Danso, 2014). Research by Van Rooij and Lusardi (2007) demonstrates that financial literacy affects financial decision-making. The widespread lack of financial literacy raises concerns about individuals' ability to make sound decisions (Massimo & Ornella, 2012). Consequently, a single erroneous decision can have significant repercussions not only on a company's profits but also on its overall survival.

Numerous studies have investigated the correlation between financial literacy and the performance of micro and small enterprises (MSEs), revealing that a lack of financial literacy has led to business failures and has been identified as a contributing factor to the global economic crisis of 2008/2009 (Niwaha, Schmidt & Tumuramye, 2016). Kim, Maurer, and Mitchell (2013) stated that financial literacy also has a deep effect on the education and training policy of a country. When people make poor financial decisions, this affects their lives; at an aggregated level, it also spells trouble for a country.

It has been argued that the field of financial literacy suffers from a lack of extensive research and that scholarly contributions are in short supply (Sayinzoga et al., 2016). A study conducted by Lusimbo and Muturi (2016) investigated the significance of financial literacy on the growth of small enterprises. Their findings revealed that while managers of micro and small enterprises (MSEs) possessed reasonable knowledge of debt management literacy, a majority lacked understanding regarding the effect of inflation and interest rates on loans, particularly in terms of aligning assets and liabilities. Additionally, the study highlighted a deficiency in bookkeeping literacy among managers, which correlated with minimal or no growth observed in their enterprises. However, it's worth noting that some researchers argue that the success of a small enterprise cannot solely be attributed to the financial literacy of its managers.

Several studies have been done on financial literacy across the world. Doyo (2013) conducted a study on the effect of financial literacy on pension preparedness among members of the informal sector in Kenya and found that financial literacy had a significant positive relationship with pension preparedness among the participants in the informal sector. The OECD draws attention to representativeness, defining financial literacy as a combination of conscientiousness, knowledge, skill, attitude, and behavior that are necessary to make sound financial decisions and ultimately attain individual financial well-being (OECD, 2015). Thus, the instrument for measuring financial literacy used by the OECD encompasses three dimensions: financial education or financial knowledge, financial behavior, and financial attitude. These three dimensions have their own definitions and are interrelated.

When it comes to Ethiopia, financial literacy has been studied from various dimensions. A study done by Leyla Jemal (2019) showed that budgeting literacy, debt management literacy, accounting literacy, and saving literacy have a positive and significant effect on the financial performance of medium-scale enterprises in Hawassa city. Additionally, Yohannes Workeaferahu Elifneh (2020) concluded that the level of financial literacy among high school students is insufficient, particularly in understanding fundamental dimensions such as interest compounding, inflation, time value of money, and money illusion. Ashenafi Degafu (2020) concluded in a study that the relationship between financial literacy and personal financial management practices was examined. The correlation results indicate that the first indicator of financial literacy, financial knowledge, has a strong relationship with financial planning and debt management. However, financial attitude and behavior have a medium relationship with financial planning and debt management.

Despite the critical role financial literacy plays in shaping sound financial decision-making, there is a significant research gap in understanding its impact within the context of local NGOs in Ethiopia. Existing studies have largely overlooked this sector, leaving unanswered questions about the current state of financial literacy among NGO employees, the factors influencing their financial knowledge, and the barriers they face in applying this knowledge effectively. Furthermore, the absence of research exploring how financial education interventions can enhance decision-making skills within resource-constrained NGOs highlights a crucial knowledge void.

This gap is particularly urgent to address, as NGOs are pivotal in driving social change and development, yet their effectiveness can be hindered by poor financial management practices. By investigating this underexplored area, the study seeks to bridge the gap by assessing the financial literacy levels of local NGO employees, identifying key determinants and barriers, and evaluating how improved financial literacy can empower them to make informed decisions, enhance financial resilience, and ultimately improve the sustainability and impact of their organizations.

1.3 Objectives of the study

1.3.1 General objective of the study

To assess the effect of financial literacy on the financial decision-making processes within local NGOs.

1.3.2 Specific objective of the study

1. To examine the effect of financial behavior on financial decision-making in local NGOs.
2. To analyze the effect of financial knowledge on financial decision-making in local NGOs.
3. To investigate the effect of financial attitude on financial decision-making in local NGOs.

1.4 Research Question Of the study

1. What is the effect of financial behavior on financial decision making in local NGOs?

2. What is the effect of financial knowledge on financial decision making in local NGOs?

3. What is the effect of financial attitude on financial decision making in local NGOs?

1.4.1 Hypothesis

H1: Financial behavior has a significant positive effect on financial decision-making in local NGOs.

H2: Financial knowledge has a significant positive effect on financial decision-making in local NGOs.

H3: Financial attitude has a significant positive effect on financial decision-making in local NGOs.

1.5 Significance of the study

The significance of this study lies in its potential to contribute valuable insights into the financial management practices of NGOs dedicated to supporting individuals with intellectual disabilities in Addis Ababa, Ethiopia. By focusing on the financial decision-making processes among staff and management within these NGOs, the research aims to uncover underlying patterns, strengths, and areas for improvement in financial literacy and related skills such as budgeting, resource allocation, risk management, diversification, and fundraising. Furthermore, this study holds significant implications for both theory and practice, highlighting the importance of financial literacy in driving effective decision-making within NGOs and paving the way for future research and interventions in this critical area.

1.6 Scope of the study

The study focuses on local NGOs operating within Addis Ababa, Ethiopia, specifically those addressing issues related to intellectual disability. This focus is guided by convenience and resource availability, as Addis Ababa hosts a concentration of NGOs and relevant resources. By targeting NGOs dedicated to intellectual disability, the research efficiently explores financial decision-making processes within a meaningful context. The primary aim is to examine the financial decision-making processes of management within these NGOs. The study investigates financial literacy levels as the independent variable and the financial decision-making process as the dependent variable. Delimitations include constraints related to budget and time availability.

1.7 Limitation of the study

The limitations of this study primarily rise from challenges in accessing participants and the specific context of local NGOs. Decision-making employees from local NGOs were difficult to reach, resulting in a limited response to the questionnaire. Additionally, none of the participants were willing to engage in interviews, leading to the removal of that aspect from the study. The sample size was constrained to 100 respondents across five NGOs due to the understaffed nature of these organizations. Furthermore, there was no available secondary data on local NGOs to supplement the findings. The unexpected result regarding financial behavior may be context-specific, reflecting the conservative and risk-averse nature of decision-making within these NGOs. Therefore, the findings are applicable only to local NGOs and may not generalize to other sectors or larger organizations.

1.8 Organization of the study

This study is organized into five chapters. Chapter one incorporates the introduction, background of the study, statement of the problem, research questions, objectives of the study, scope of the study, significance of the study, and definition of terms. Chapter two provides an overview of the state of the art analysis of the existing literature, which includes definitions of terms, theoretical and empirical related literature review, and conceptual framework of the study. Chapter three presents the methodology used in this thesis, which includes the research approach as well as describes the data collecting and analysis methods used. Chapter four analyzes and presents the research findings obtained through the thesis methodology by showing how each of the research questions would answer and how these findings together contribute to the main purpose of the study. Eventually, Chapter five culminates in the thesis with a summary, conclusions, and a set of recommendations derived from the research findings and the conclusions of this work. At the end of the thesis document, references and a set of appendices were included that contain the questionnaires of the survey forms used to collect primary data for the study and other supplementary documents of the study.

1.8 Definition of terms

Financial literacy:-According to the OECD (2011), financial literacy encompasses a blend of awareness, knowledge, skills, attitudes, and behaviors essential for making prudent financial decisions and attaining personal financial stability. In essence, it signifies the capability to effectively utilize acquired knowledge and skills to manage financial resources throughout one's life, ensuring sustained financial well-being.

Financial Decision:A financial decision is defined as a decision that looks at how the institution obtains the necessary funds for investments (Zogheib and Boujad, 2009). It is also the presentation of funds in the institution, which determines the optimal mix of different sources of financing, whether owned or borrowed (Hanafi, 2005).

NGOs:- NGOs are generally defined as “private, not-for-profit organizations that aim to serve particular societal interests by focusing advocacy and/or operational efforts on social, political, and economic goals, including equity, education, health, environmental protection, and human rights” (Teegen, Doh & Vachani, 2004, p. 466). In this research, NGOs refer specifically to non-governmental organizations dedicated to addressing issues related to intellectual disabilities. These NGOs operate as private, not-for-profit organizations, aiming to serve societal interests by advocating for and implementing initiatives focused on equity, education, health, environmental protection, and human rights within the context of intellectual disabilities.

Chapter Two

Literature Review

2.1 Introduction

This chapter covers the review of the related literature on financial literacy and financial decision making. It includes theoretical review, empirical review and Conceptual framework.

Theoretical Review

2.1.1 Concepts and definitions

Behrman et al. (2012) define financial literacy as "the ability to process economic information and make informed decisions about household finances." Practically, questionnaires serve as tools to assess an individual's financial literacy. Typically, respondents are asked to answer several questions concerning inflation and interest rates across various studies (Choi et al., 2010; Disney and Gathergood, 2013; Gathergood et al., 2017; Gaudecker, 2015; Jappelli and Padula, 2013; Klapper et al., 2013; Lusardi and Mitchell, 2008).

Financial literacy empowers individuals or leaders within organizations with the understanding and competencies necessary to make well-informed decisions about financial management. Recognizing its pivotal role in ensuring financial stability and sustainability, financial literacy has garnered significant attention from both governments and researchers. This chapter aims to review the existing literature on the importance of financial literacy within local NGOs, exploring how financial knowledge, behaviors, and attitudes influence the financial performance and sustainability of these entities.

Financial literacy is conceptualized as a combination of knowledge and skills enabling individuals to comprehend financial principles and make informed financial decisions. It is regarded as a knowledge base that enables individuals to accumulate wealth by actively participating in the economy. Examples of such knowledge and skills include understanding interest rates on savings and recognizing the effect of inflation rates on saving decisions (Elifneh, 2018; NAACP, 2003). Asaad (2015) further delves into the components of financial literacy, underscoring the importance of both financial knowledge and confidence. These elements complement each other, with knowledge providing the groundwork and confidence serving as the catalyst for sound financial decision-making.

Previous studies have identified consistent differences in financial literacy based on demographic and cognitive factors. Generally, individuals with lower financial literacy are often elderly, female, unemployed, less healthy, or come from households with lower socioeconomic status (Agarwal et al., 2009; Calvet et al., 2009; Jappelli and Padula, 2013). Higher levels of cognitive ability, demonstrated through superior mathematical performance during adolescence or higher levels of education, are also associated with increased financial literacy (Gathergood and Weber, 2017; Jappelli, 2010; Jappelli and Padula, 2013).

2.1.2 Importance of financial literacy

Financial literacy plays a crucial role in investment decisions, as emphasized by Alzahrani et al. (2023), who stated that individuals with greater financial knowledge tend to make more diversified and informed investment choices. This aligns with the findings of Mitchell and Lusardi (2018), who emphasized the importance of financial literacy not only in investment decisions but also in retirement planning and ensuring long-term financial security. Furthermore, the effect of financial literacy extends to debt management. Brown et al. (2020) discovered that individuals with higher levels of financial literacy are more likely to make well-informed borrowing decisions, effectively manage debt, and avoid excessive debt burdens, thereby contributing to their long-term financial stability.

One of the most important questions in the literature involves the implications of financial literacy. Previous studies conducted in different countries have consistently reported positive effects of financial literacy on prudent financial behaviors. For instance, more financially literate people are more likely to avoid the disposition effect and plan for retirement (Lusardi and Mitchell, 2008).

A study conducted in Rwanda by Sayinzoga, Bulte, and Lensink (2015) explores the influence of financial literacy training on the financial behavior of individuals in Rwanda. The research indicates that such training leads to changes in savings, borrowing, and repayment behaviors. Additionally, the study underscores the significance of financial literacy as a factor explaining these behavioral changes. In contrast, research conducted by Mandell and Klein (2009) examines the effect of financial literacy on subsequent financial behavior. This study compared students who had taken a personal financial management course from 79 high schools with those who had not. Surprisingly, the findings revealed that those who had taken the course were not any more financially literate than those who had not.

2.1.3 Concept of Financial literacy

Lusardi and Mitchell (2007) adopt the definition of the OECD (2005), which characterizes financial literacy as the process by which financial consumers and investors enhance their understanding of financial products and concepts. Through information, instruction, and/or objective advice, individuals develop the skills and confidence to become more aware of financial risks and opportunities. This enables them to make informed choices, seek assistance when needed, and take other effective actions to improve their financial well-being.

After examining various perspectives on financial literacy, Huston (2010) suggests that financial literacy should also encompass the application of financial knowledge. This implies that without the demonstrated ability to apply financial knowledge, an individual cannot be considered financially literate. Considering the feasibility of research application, the OECD definition of financial literacy was selected for this study. According to the OECD (2011), financial literacy is a combination of awareness, knowledge, skill, attitude, and behavior necessary to make sound financial decisions and achieve individual financial well-being. The significance of financial literacy has increased with the deregulation of financial markets, easier access to credit, widespread issuance of credit cards, and rapid growth in marketing financial products.

Similarly, according to OECD and INFE (2011, p. 3), financial literacy is described as "a combination of awareness, knowledge, skill, attitude, and behavior necessary to make sound financial decisions and ultimately achieve individual financial well-being." More specifically, as noted by Elifneh (2018), Arceo-Gomez and Villagómez (2017), FEG (2012), and OECD and INFE (2012), the fundamental components of financial literacy encompass financial knowledge (including skills and understanding of numeracy, inflation, and risk diversification), financial behavior (such as savings level, propensity to save, and awareness of one's economic situation), and attitude towards financial decisions (e.g., the value placed on savings and future planning).

According to Ambre (2012), the foundation of financial literacy often begins at home, where children are taught essential money management skills such as saving and responsible spending. Abraham (2006) defines financial literacy as the capacity to make informed judgments and effective decisions concerning the use and handling of money.

Both informal and formal education, including family upbringing and academic instruction in higher education institutions, are expected to equip students with the ability to manage their finances effectively. This includes practices such as setting aside savings from pocket money, financial planning, and tracking expenses (Basal & Derman, 2016; Mien & Thao, 2015). However, despite efforts to enhance student financial knowledge, there remains a disparity between financial literacy levels and actual financial decision-making behaviors, indicating a disconnect between literacy and practical application (Suryanto, 2017).

Huston (2009) proposes that financial literacy encompasses two key dimensions: understanding financial information and utilizing it effectively. She emphasizes that financial literacy serves as the precursor to the need for financial education, providing the groundwork for comprehending the implications of education and the challenges associated with prudent financial decision-making. In her research, Huston (2010) explores various metrics used to quantify financial literacy over the past decade, aiming to elucidate its effect on behavior, education, well-being, and overall financial literacy.

Furthermore, Huston (2010) concludes that there exists a significant correlation between behavior, education, well-being, and financial literacy. Financial literacy, she suggests, is the practical application of information pertaining specifically to personal finances. The level of financial literacy an individual possesses is contingent upon their overall knowledge and education.

The term financial literacy does not have a single and simple definition in the literature, since it is a complex subject and encompasses a broad set of aspects. Although there are various definitions and dimensions for financial literacy, those developed by the OECD draw attention for their representativeness, defining financial literacy as a combination of conscientiousness, knowledge, skill, attitude, and behavior necessary to make sound financial decisions and ultimately attain individual financial well-being (OECD, 2015). Thus, the instrument for measuring financial literacy used by the OECD encompasses three dimensions: financial education or financial knowledge, financial behavior, and financial attitude. These three dimensions have their own definitions and are interrelated.

2.1.3.1 Financial Knowledge

Financial knowledge, also known as financial education, is a method through which people enhance their understanding of the concepts and risks associated with financial products. This knowledge enables individuals to develop the skills and confidence necessary to make fundamental and safe decisions (OECD, 2017). Financial knowledge is essential in determining whether an individual is financially literate (Atkinson & Messy, 2012) and prepares them to make better choices, avoid pitfalls, identify the best places to get help, and assist in decision-making (Bucher-Koenen, Lusardi, Alessie, & Van Rooij, 2016).

Financial knowledge refers to the understanding and capability possessed by individuals to manage and use money well (Lusardi & Mitchell, 2014; Yushita, 2017). It is a particular type of capital acquired through life, involving the ability to manage income, expenditure, and savings in a safe manner (Delavande et al., 2008).

2.1.3.2 Financial Attitude

Financial attitudes are defined as a combination of concepts, information, and emotions about learning, which result in a readiness to react favorably (Shockey, 2002). Financial behavior is considered an essential element of financial literacy, as well as the most important (OECD, 2013). Recent study findings indicate that the financial behavior dimension is a determinant of financial literacy (Lusardi & Mitchell, 2013).

Financial attitude can be described as a response in the form of a statement of "like" or "dislike" or "useful" or "not useful" related to an individual's financial behavior (Potrich et al., 2016). Financial attitudes influence how someone spends, hoards, and uses money wastefully. According to Mien and Thao (2015), financial attitude is an attitude that shapes how individuals manage their finances, including activities such as investing, saving, and spending money.

2.1.3.3 Financial Behavior

Financial behavior, as defined by Potrich et al. (2016), refers to actions that reflect good behavior in managing pocket money in accordance with objectives and financial realization. According to Nababan and Sadalia (2013) and Sari (2016), financial behavior entails an individual's responsibility in managing finances with existing resources to meet personal needs and fulfill desires.

2.2 Concept of financial decision

Financial decisions are described as choices or a set of options made with the use of financial literacy skills. The ongoing struggle between the marketplace's production of goods and services and an individual’s restricted resources to purchase them has a substantial effect on financial decisions (Remund, 2010).

A financial decision is defined as a decision that looks at how the institution obtains the necessary funds for investments (Zogheib and Boujad, 2009). It is also the presentation of funds in the institution, which determines the optimal mix of different sources of financing, whether owned or borrowed (Hanafi, 2005).

Financial decision-making behavior has potentially far-reaching effects on society. For example, the euphoria and negative aftermath in the benefit fund and chit companies in the late 1990s, the fly-by-night IPO companies, US dot-com company mania, and the US subprime crisis are partly attributable to poor household decision-making. Even though the issue is of great importance, our understanding about how the suboptimal financial decisions and the causes of it were limited (Summit Agarwal, 2013).

Financial decisions are a fundamental element of short-term life, from minor decisions such as deciding whether or not to major decisions. It also can be defined as consideration or a selection of possible choices made. In order to make good financial decision-making, individuals must not only have enough knowledge but must also have an ability to apply that knowledge to develop them. By having enough knowledge about finance, people – in our case students – are getting better to manage their finances. Financial knowledge helps students a lot to develop their financial literacy and financial behavior, as well as financial behavior influences the decision-making. It can be seen on how to determine the individuals to their future financial choices, whether they consider their financial decision with a good manner or not. However, knowledge may not be enough.

Financial decision is defined as a selection of possible choices made with the applied knowledge of financial literacy. Financial decisions are greatly influenced by a constant battle between the individuals who are more conservative and risk-averse. Ansong and Gyensare (2012) find that age and work experience are positively correlated with financial literacy. The deeper life experiences encourage the acquisition of skills to secure the employees financial aspirations in their life.

Jalili (2013) defines it as: “The whole process of taking the steps, steps, and foundations followed in an accurate scientific way that ensures the flow of information and analysis to form possible alternatives in order to achieve a particular goal or solve a particular problem so that the process includes the optimal alternative, a decision that achieves efficiency and effectiveness.” The researcher knows it procedurally: “The cognitive process that is built by analyzing the data in the financial statements, to derive the best and most appropriate options that suit the company and in line with the directions of the Kingdom's Vision 2030, through its values, trade-offs.

The decision-making process has several characteristics that can be summarized as follows (Ayyash, 2008):

- The decision-making process is realistic.
- The decision-making process is influenced by humanitarian factors stemming from the behavior of persons and that any financial decision must be an extension from the present to the future.
- The decision-making process is general, it includes most institutions and is inclusive of all administrative positions in the institution,
- In addition the process consists of a series of sequential steps, and it is a process affected by various environmental factors.

2.2.1 Financial Planning

Financial planning enables individuals to set objectives, assess their current financial situation, and identify the necessary steps to achieve their goals. It provides insight into how our financial choices affect our lives, potentially leading to a secure and comfortable economic future (Tang & Tan, 2015). Debt management is a crucial aspect of financial planning, involving strategies such as budgeting and proper planning to reduce debt (Kurbonov, 2021). Effective debt management aims to decrease current debt and eventually eliminate it, measurable through factors like average interest rate, maturity rate, and debt management strategy. Furthermore, improved debt management, as noted by Ncanywa & Masoga (2018), significantly influences investment decisions

2.2.2 Financial budgeting

The budget can be interpreted as a methodological process specific to finance, highlighting how financial resources are formed and sized within particular economic entities. It involves the distribution of resources to various destinations to fulfill predetermined targets (Santoshi Aru, 2017).

Business planning, as described by several scholars, involves the conscious determination of courses of action to achieve preconceived objectives. It is based on knowledge about the present business environment and must be flexible enough to adapt to changing market conditions (Mclaughlin, 1992).

A budget is a planning document containing financial and/or non-financial information related to future activities. Budgeting is the activity of recording financial and/or non-financial elements into the budget (Achim, 2009a). Blumentritt defines budgeting as the process of allocating an organization's financial resources to its units, activities, and investments (Blumentritt, 2006), while Horngren et al. see it as the quantitative expression of a proposed plan of action by management for a specified period and an aid to coordinating the implementation of that plan (Horngren et al., 2004).

The purpose of the budgeting process is to ensure efficient use of the financial resources available to a company, both from newly attracted resources to finance its activities and from excess capital flows from previous business activities. "At the annual financial budgeting stands a strategy for business development in a predictable timeframe for achieving an acceptable probability. Spearheading of this strategy is the marketing studies that may reveal possible future market size and the market slice that the company could count on" (Giurgiu, 2000).

Budgets provide rational and tangible data facilitating and enabling decision-making in organizations. Instead of being viewed as a static financial plan or blueprint, "budgeting" refers to the act of preparing a budget or the activities of predicting and qualifying future finance requirements (Garrison, et al., 2003).

According to Garrison et al. (2003) and others, budgeting in the process of financial decision-making and internal operation of organizations can achieve multiple functions including planning, coordinating, communicating, controlling, and evaluating, if administered wisely. budgeting

(a) compels management planning,

(b) provides definite expectations that are the best framework for judging subsequent performance, and

(c) promotes effective communication and coordination among various segments of the organization (Horngren, 1977, pp. 125).

2.2.3 Investment Decisions

As per Gill, Khurshid, Mahmood, & Ali (2018), investment pertains to allocating funds with the aim of generating additional income. It garners interest from individuals as it empowers them to make choices by investing in different companies. Through these decisions, individuals can evaluate their ability to make informed choices by analyzing the results. Traditional finance theory posits that the investment market and its participants are rational individuals seeking to optimize their wealth to the fullest extent possible (Bauer & Smeets, 2015)

2.3 Theoretical Literature review

Financial literacy has consistently been recognized as a key determinant of financial behavior, influencing how individuals manage their personal and professional finances. According to Hung, Parker, and Yoong (2017), financial literacy is a reliable predictor of various measures of financial behavior. Their research highlights that individuals with higher levels of financial literacy are more likely to exhibit responsible financial habits, such as saving regularly, budgeting effectively, and making informed investment decisions.

Potrich et al. (2016) proposed various models to measure financial literacy, emphasizing the importance of financial knowledge and financial attitude as critical components influencing financial behavior. Their findings demonstrate that individuals with a robust understanding of financial concepts and a positive attitude towards financial planning are better equipped to make sound financial decisions. These decisions contribute to overall financial well-being, fostering habits that lead to sustainable financial management.

In the context of small and medium enterprises (SMEs), Sucuahi (2013) highlighted the relationship between financial literacy and financial behavior among business owners. SME owners with strong financial literacy are more likely to make decisions that maximize profitability and minimize business uncertainties. Such decisions enable them to generate financial assets, avoid over-indebtedness, secure funds for retirement, and mitigate the risks of major life contingencies. This underscores the pivotal role financial literacy plays in ensuring financial stability and resilience, both at an individual and organizational level.

Further expanding on the impact of financial behavior, Grohmann, Menkhoff, and Storck (2015) argue that good financial behavior is reflected in the ability to diversify assets across multiple investment types. Diversification is a critical aspect of financial management, as it helps mitigate risks associated with specific investment types. Each investment category has its own unique risk profile, and individuals who are financially literate are more likely to understand these nuances, thereby creating balanced and resilient investment portfolios.

Collectively, these studies highlight the theoretical foundation for understanding the relationship between financial literacy and financial behavior. Financial literacy serves as a crucial enabler, empowering individuals and organizations to navigate financial complexities, make informed decisions, and achieve long-term financial stability. These insights are particularly relevant in contexts such as local NGOs, where financial literacy can significantly influence decision-making processes, resource allocation, and the sustainability of the organization's mission and impact. By fostering financial literacy, employees and management within NGOs can enhance their ability to manage limited resources effectively, ensure financial accountability, and ultimately contribute to achieving organizational goals.

Financial Literacy and Behavior Theory

Research has consistently demonstrated a positive relationship between financial literacy and self-beneficial financial behavior. Hilgert, Hogarth, and Beverly (2003) conducted a seminal study in this area by incorporating financial behavior and financial literacy questions into a nationwide survey of consumer finances. They developed a *Financial Practices Index* based on four key variables: cash-flow management, credit management, savings, and investment practices. This index served as a measure of individuals' financial behavior, enabling a comprehensive evaluation of their financial management practices.

By comparing the Financial Practices Index scores with participants' results on a financial literacy quiz, the researchers found a strong positive correlation between financial knowledge and financial behavior. Specifically, individuals with higher levels of financial literacy demonstrated better financial practices, such as efficient cash-flow management, responsible credit usage, consistent saving habits, and informed investment decisions. These findings underscore the critical role of financial knowledge in fostering positive financial outcomes.

Moreover, the study revealed that individuals with low financial literacy are more likely to rely on financial advice from friends, which may not always be accurate or beneficial. This group is also less likely to invest in stocks, potentially missing out on opportunities to grow their wealth through diversified investment portfolios. This behavior highlights how gaps in financial knowledge can limit individuals' ability to make informed financial decisions and take advantage of wealth-building strategies.

The findings from Hilgert, Hogarth, and Beverly (2003) reinforce the importance of financial literacy as a foundation for sound financial behavior. They suggest that improving financial knowledge can empower individuals to adopt practices that enhance financial well-being, avoid risky behaviors, and optimize resource management. This theoretical framework is particularly relevant for understanding how financial literacy can influence decision-making processes within specific sectors, such as local NGOs. By applying these principles, NGO employees can better manage organizational resources, make data-driven decisions, and contribute to the sustainability and effectiveness of their organizations.

Accounting Theory and Decision Usefulness

This study is grounded in accounting theory, with a particular focus on the Decision Usefulness Theory. This theory positions accounting as a critical process of providing relevant and reliable information to support decision-making. It underscores the importance of equipping decision-makers with accurate financial data, enabling them to make optimal choices based on their unique circumstances and subjective probabilities. This theoretical framework aligns closely with the goals of the study, as SME managers are not only responsible for monitoring their business transactions but also for making informed decisions that drive profitability and sustainability.

Clelland (1961) elaborates on the traits of successful entrepreneurs, emphasizing the significance of profit as a measure of competency and success. According to Clelland, effective business operators set realistic yet challenging goals for their enterprises and continuously assess their progress. This self-awareness and focus on outcomes enable entrepreneurs to remain conscious of all financial transactions within their businesses, which helps them mitigate losses and maximize returns. Entrepreneurs who adopt this proactive approach to monitoring and controlling business operations demonstrate superior financial management and achieve greater long-term success.

The Decision Usefulness Theory is particularly relevant in this context, as it highlights the role of accurate financial recording and reporting in facilitating effective decision-making. This theory advocates for maintaining meticulous financial records to provide a reliable foundation for assessing performance, evaluating risks, and identifying opportunities for growth. By integrating the principles of decision usefulness, SME managers are better equipped to navigate financial complexities, optimize resource allocation, and ensure the financial health of their enterprises.

This framework is equally applicable to NGOs, where financial accountability and decision-making are critical for achieving organizational objectives. The application of decision usefulness theory within NGOs emphasizes the importance of accurate transaction recording and financial reporting to support informed decision-making. By ensuring transparency and reliability in their financial practices, NGOs can enhance their operational efficiency, build stakeholder trust, and improve their overall impact in the communities they serve.

2.4 Empirical Review of Literature

The study conducted by Gross et al. (2005) investigated the adverse consequences of financial illiteracy, highlighting its association with increased debt levels and unexpected defaults. Their research focused on law students who received financial literacy education, concluding that financial education positively impacts students' understanding, attitudes, and behaviors concerning financial matters, thereby facilitating better financial management during their college years and beyond graduation.

Similarly, a study by Ashenafi Degafu (2020) found a positive correlation between financial literacy and personal financial management among employees in both financial and non-financial sectors in Jimma town. Higher levels of financial literacy were associated with better investment practices, more diversified savings, and lower debt percentages. The study also identified demographic factors such as gender, age, marital status, work experience, income, education level, and area of specialization significantly influencing personal financial management, emphasizing the importance of implementing financial literacy and planning programs in both sectors.

On the other hand, Mandell (2006) surveyed high school seniors' financial literacy levels from 1997 to 2006 and discovered that financially literate seniors had lower check bounce rates and higher checkbook balances compared to their counterparts. However, students from households with higher financial incomes exhibited higher financial literacy levels, regardless of whether they took finance courses, which did not significantly impact financial literacy levels.

Research highlights the critical role of financial literacy and business development services in enhancing entrepreneurial success. Osinde et al. (2013) observed a significant positive impact of business development services on entrepreneurs, particularly in the areas of sales growth and market share expansion. Entrepreneurs who accessed these services reported notable improvements in their businesses, with training programs playing a pivotal role. Specifically, 83.3% of respondents who consistently attended training sessions reported good growth in profits, compared to only 41.2% of those who did not participate in such programs. This finding emphasizes the value of financial education and professional development in fostering better financial practices and business outcomes.

Similarly, Longenecker et al. (1994) underscored the importance of personal savings and contributions from business partners as key financial resources, especially during the formative stages of a business. Their research revealed that entrepreneurs who make substantial financial commitments to their businesses often inspire greater confidence among potential investors. This confidence stems from the perceived alignment of interests, as significant personal financial investments demonstrate the owner's commitment to the success and sustainability of the business.

Together, these studies illustrate the importance of combining financial literacy, access to business development services, and personal financial investment to drive entrepreneurial success. Training programs and access to resources equip entrepreneurs with the skills and knowledge needed to improve decision-making, optimize resource allocation, and capitalize on growth opportunities. Furthermore, personal financial commitment can enhance credibility, attract investment, and strengthen the foundation of a business.

These insights are particularly relevant to sectors such as local NGOs, where the effective management of limited resources is essential. By incorporating financial literacy training and encouraging a commitment to sound financial practices, NGOs can achieve better financial outcomes, improve their operational efficiency, and enhance their capacity to fulfill their mission.

The literature suggests that financial literacy is crucial for making sound financial decisions and achieving financial well-being. Individuals with low financial literacy are less likely to invest in the stock market, save for retirement, accumulate wealth, and may experience debt problems. However, empirical evidence has shown that financial knowledge and its application can enhance sound financial decision-making and boost financial well-being, while lack of financial knowledge can lead vulnerable consumers to financial turmoil due to a lack of understanding of financial products and contracts.

Moreover, studies have indicated that higher financial literacy is associated with more informed decision-making, particularly in investment choices, enabling individuals to make cost-effective decisions aligned with their goals. Conversely, limited financial literacy contributes to biases in decision-making, hindering effective saving and investment strategies. Additionally, financial literacy significantly influences post-retirement planning, aiding individuals in envisioning their lifestyle and implementing effective saving strategies for retirement.

However, not all studies find a direct correlation between financial literacy and customer satisfaction with retail banks. Gupta and Kinange (2016) conducted research in Bagalkot district, India, and concluded that there was no correlation between increased or decreased levels of financial literacy and customer satisfaction with retail banks. This suggests that client financial literacy levels may not significantly affect the receptiveness of customers to operating and consuming retail banks' financial products.

2.5 Literature Gap

Despite the acknowledged significance of financial literacy in influencing individuals' financial decision-making, there is a noticeable lack of research on this topic within the context of local NGOs in Ethiopia. Existing studies predominantly focus on financial literacy among individuals, SMEs, or large-scale organizations in more developed economies, overlooking the unique challenges faced by NGOs operating in resource-constrained environments. While financial literacy has been linked to improved financial behavior, decision-making, and organizational performance globally, little attention has been given to how these findings translate into the Ethiopian NGO sector, particularly among those addressing intellectual disabilities.

Moreover, while frameworks such as the Decision Usefulness Theory emphasize the importance of accurate financial information for effective decision-making, their application in NGOs remains underexplored. This is critical because NGOs, especially those in Ethiopia, often operate with limited financial resources and rely heavily on efficient financial management to achieve their missions. Existing literature does not sufficiently investigate how financial literacy training or interventions could enhance the decision-making capacity of NGO employees, improve resource utilization, or contribute to organizational sustainability.

Additionally, while studies have explored financial literacy's impact on individuals' personal financial behavior and SMEs' profitability, they have largely ignored the internal decision-making processes within NGOs. This gap is particularly pronounced in local Ethiopian NGOs, where financial literacy could play a pivotal role in addressing systemic inefficiencies and improving operational outcomes.

Addressing these gaps is crucial to understanding the extent to which financial literacy influences financial decision-making among employees in local NGOs and to designing targeted interventions that enhance their capacity to manage resources effectively. This study seeks to bridge this gap by exploring the relationship between financial literacy and decision-making processes within Ethiopian NGOs, with a specific focus on those addressing intellectual disabilities in Addis Ababa.

2.6 Conceptual framework

Based on theoretical perspectives and empirical research examining the relationship between financial literacy and financial performance from various angles, a conceptual framework has been devised. This diagrammatic representation illustrates how financial literacy variables influence financial decision-making processes.

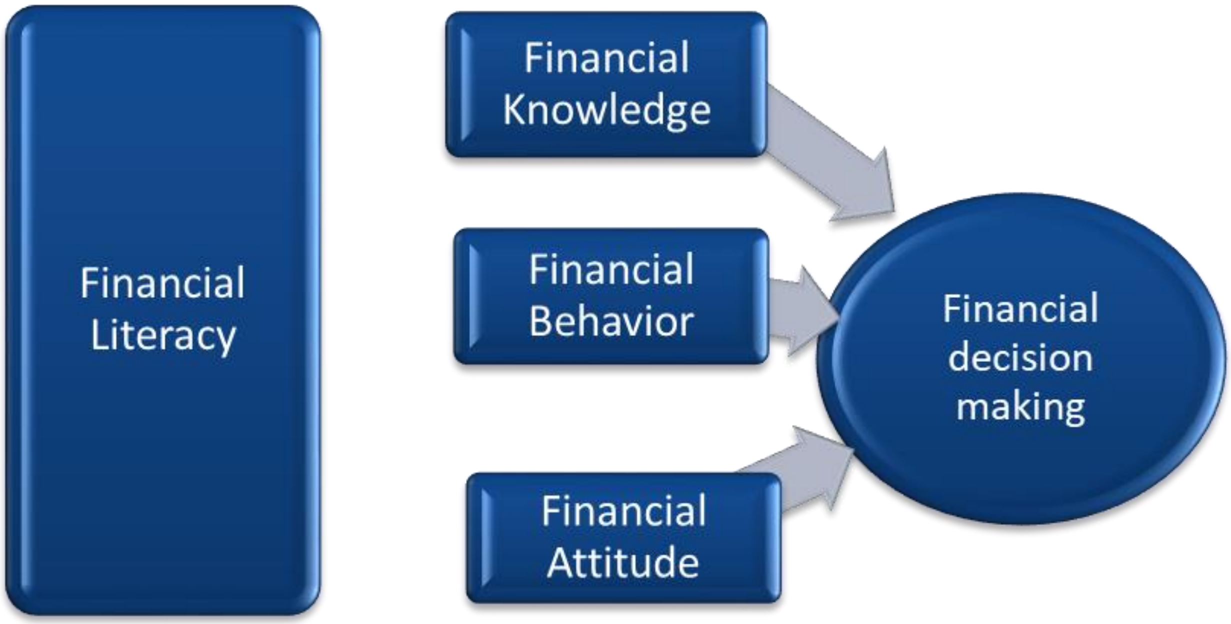

Table 1Conceptual Framework adapted from OECD(2011)

Chapter Three

Research Methodology

3.1. Introduction

Chapter three provides an in-depth exploration of the research methodology employed in this study. Drawing upon the foundational principles and guidelines outlined in the preceding two chapters, this section offers insights into the rationale behind and the selection of the methodology. It commences by presenting the population, unit of analysis, sampling method, and sample size. Subsequently, it delves into the examination of the measurement instrument utilized, along with an exploration of the data-gathering process. Finally, the chapter concludes with a detailed explanation of the data analysis approach, while also addressing quality control measures and limitations inherent in the study.

3.2 Research Design

The research design for this study is structured to align with its objective of exploring the relationship between financial literacy and financial decision-making within local NGOs in Addis Ababa. Guided by Kothari's (2004) definition of research design as a framework for data collection and analysis, and Mafuwane's (2012) emphasis on its role as a strategic roadmap linking research questions to implementation strategies, this study adopts a cross-sectional design. This approach is particularly suitable for capturing diverse perspectives within a limited timeframe and resource constraints.

The research design incorporates both descriptive and explanatory components. The descriptive aspect focuses on examining the current state of financial literacy and decision-making practices among staff and management of local NGOs. In contrast, the explanatory component investigates how variations in financial literacy influence decision-making processes. Together, these components provide a comprehensive understanding of the dynamics between financial literacy and financial decision-making within the targeted organizations.

Data collection is carried out through a survey methodology with questionnaires. Questionnaires are designed to assess financial knowledge, attitudes, and behaviors,

The study follows a deductive reasoning framework, which begins with established theories and hypotheses about financial literacy and decision-making. For instance, theories such as the positive correlation between financial literacy and self-beneficial financial behaviors, as proposed by Hilgert, Hogarth, and Beverly (2003), are tested within the specific context of local NGOs. Although the cross-sectional design does not allow for establishing causality, it provides a foundational understanding of the topic, supported by qualitative insights to enrich the analysis.

This methodological approach ensures a robust exploration of the influence of financial literacy on decision-making in resource-constrained NGOs. By combining descriptive and explanatory elements with a survey-based, deductive framework, the study offers valuable insights into improving financial decision-making practices within local NGOs in Addis Ababa.

3.3. Research Approach

Quantitative methods involve the use of structured questionnaires administered to NGO staff and managers to assess their levels of financial literacy and gather data on financial decision-making processes. These questionnaires designed to capture measurable and objective data, focusing on financial knowledge, attitudes, and behaviors relevant to the study.

The collected data was analyzed quantitatively using descriptive and inferential statistical methods. Descriptive analysis summarized the data, providing an overview of the financial literacy levels and decision-making practices among participants. Additionally, a regression analysis model was constructed to quantify the relationship between financial literacy and financial decision-making. This quantitative approach ensures a systematic and data-driven exploration of how financial literacy impacts decision-making within local NGOs, providing insights grounded in numerical evidence.

3.4 Study Setting and Population

3.4.1 Population

As defined by Zikmund (2003, p. 369), a population encompasses any comprehensive assembly of individuals, organizations, institutions, or entities sharing a common set of characteristics. In this study, the population comprises local non-governmental organizations (NGOs) situated in Addis Ababa, Ethiopia, with a particular emphasis on those dedicated to supporting individuals with intellectual disabilities. From the total population of 12 identified NGOs in the area, the study selected five for inclusion. This selection process aims to create a representative sample while also accommodating the research's time constraints. By concentrating on NGOs serving individuals with intellectual disabilities, the study seeks to investigate the impact of financial literacy on financial decision-making within this specific sector.

3.5 Sampling design

3.5.1 Sample frame

The sampling frame, as described by Burt, Barber, and Rigby (2009), is a structured inventory of individuals within a population. Mugenda (2003) defines the study population as comprising all the elements from which the study aims to draw inferences.

The sampling frame for this study encompasses five local NGOs situated in Addis Ababa, Ethiopia, dedicated to assisting individuals with intellectual disabilities. These NGOs have been purposefully selected from a total population of 12 organizations operating in the area. The five selected organizations include Deborah Foundation, Nia Foundation, Nehemiah Foundation, Gudina Tumsa Foundation (GTF), and Fikir Ethiopian National Association for Intellectual Disability (FENAID). These institutions have been chosen for their demonstrated capacity in undertaking and managing multiple projects, their notable social impact and reach, as well as their extensive experience in working with intellectual disabilities. The researcher has selected these specific NGOs to ensure a comprehensive exploration of the effect of financial literacy on financial decision-making within the targeted population. The study involves decision-makers and management personnel within these NGOs, who play critical roles in shaping financial decisions and policies within their respective organizations.

3.5.2 Sampling technique

Sampling techniques, as defined by Cooper and Schindler (2014), involve the methods used to select samples from a population, typically to test hypotheses about that population. For this study, a census approach was employed. This approach ensures inclusivity by targeting all decision-makers, thereby ensuring that the data collected is directly relevant to the research question.

The census method allows for a focused and comprehensive analysis of the relationship between financial literacy and decision-making among individuals who play a critical role in their organization's financial management and sustainability.

Data collection was conducted within five selected institutions, where the designed data collection instruments was administered to all decision-making employees. This ensures a thorough and targeted approach to addressing the study's objectives.

3.5.3 Sample size

The sample size refers to the number of participants selected to represent the population being studied, and it should maintain a proportionate relationship with the size of the population from which it is derived (Cooper & Schindler, 2014). The sample size for this study consist of decision-making employees from three selected local NGOs in Addis Ababa, Ethiopia, focusing on intellectual disability support. A census approach allows for a comprehensive exploration of the effect of financial literacy on financial decision-making within the specific context of local NGOs working with individuals with intellectual disabilities.

3.6 Types of Data

The study utilized primary sources, with the researcher designing questionnaires to collect qualitative and quantitative data directly from individuals within the local NGOs. Using a semi-structured questionnaire, the researcher can incorporate a combination of closed-ended questions with predefined response options to gather quantitative data, along with open-ended questions to capture qualitative insights.

3.7 Data collection tools

The primary data collection tools consist of semi-structured questionnaires. The semi-structured questionnaire comprises closed-ended questions aimed at gathering quantitative data on financial literacy levels, financial behaviors, and decision-making processes. Additionally, it includes open-ended questions to capture e insights. By employing these data collection methods, the researcher aims to gather comprehensive data conducive to a thorough analysis of the relationship between financial literacy and financial decision-making in the context of local NGOs.

3.8 Data analysis methods

According to Cooper and Schindler (2014), data preparation or analysis encompasses processes aimed at ensuring data accuracy and transforming raw data into categorized forms suitable for analysis. After data collection, data analysis was carried out by completing the steps of questionnaire checking, editing, coding, transcribing, data cleaning, adjusting the data, and selecting a data analysis strategy to gather sense or meaning from the data collected. Finally, the information was tabulated in the form of tables. This approach was facilitate sense-making and enable researchers to draw insights from the data.

Using SPSS the regression model was used to assess the effect of financial literacy on financial decision-making in local NGOs is as follows:

$Y = \beta 0 + \beta 1(FK) + \beta 2(FB) + \beta 3(FA)$

Where

Y represents the financial decision-making outcomes within local NGOs.

FK–financial knowledge

FB–financial behavior

FA–financial attitude

β0 represents the constant value.

β1 represents the coefficient of financial knowledge, indicating the change in financial decision-making outcomes within local NGOs for a 1 unit increase in financial knowledge.

β2 represents the coefficient of financial behavior, indicating the change in financial decision-making outcomes for a 1 unit increase in financial behavior.

β3 represents the coefficient of financial attitude, indicating the change in financial decision-making outcomes for a 1 unit increase in financial attitude.

3.7 Measurement of variables

Independent Variables

The independent variable of the study is financial literacy, which was be measured using three dimensions developed from contributions by various researchers and organizations. The instrument for measuring financial literacy used by the OECD encompasses three dimensions: financial knowledge, financial behavior, and financial attitude. The questionnaire used refers to the questionnaire developed by OECD INFE (2011).

Financial Knowledge: Financial behavior is human behavior related to financial decision-making and money management (Bhushan & Medury, 2014; MBA, 2015). The financial behavior variable is measured using six questions with a Likert scale of 1 (strongly disagree) to 5 (strongly agree).

Financial Behavior: To measure financial behavior, the measures proposed by Shockey (2002), O'Neill and Xiao (2012), and OECD (2013) was used. Participants' self-reported financial behaviors was assessed using various items measured on a five-point Likert scale ranging from 'strongly disagree' (1) to 'strongly agree' (5)

Financial Attitude: According to Talwar et al. (2021), financial attitude refers to an individual's psychological tendency towards financial problems. To measure participants' attitudes and perceptions towards financial matters, a questionnaire developed by OECD INFE (2011) and Jessica Christa Rahardjo (2023) was be adopted. The financial attitude variable was be measured using three questions with a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

Dependent Variables

The dependent variable for this study is the financial decision-making process. The researcher was develop a questionnaire to assess the financial decision-making processes within local NGOs. The financial decision-making process was be measured using thirteen statement items adopted from Jessica Christa Rahardjo (2023) with a Likert scale ranging from 1 (very unimportant) to 5 (very important).

3.8 Research Procedure

The research procedure for the thesis was commence with the construction of research questions to guide the development of the questionnaire. Prior to field data collection, a pre-test of the questionnaire was conducted to ensure that respondents understand the questions and to identify any issues with wording or clarity. Feedback from the pre-testing phase was used to refine the questionnaire, including the addition or removal of questions and addressing any identified inadequacies.

To obtain permission from respondents, a one-paragraph preamble introduction letter was be prepared, outlining the purpose and significance of the study to both the organization and its employees. This letter assured respondents of the confidentiality of their information to address any concerns about privacy. Ensuring a high and timely response rate was crucial, and measures were implemented accordingly. These measures was include carefully designing individual questions, ensuring a clear layout of questionnaire forms, clearly stating the purpose of the questionnaire, conducting pilot testing, planning and executing implementation effectively, using basic and simple language, and keeping the questionnaire concise.

Once final approval for clarity is obtained, the edited questionnaire was printed and used as the instrument for data collection in a timely manner. This comprehensive approach aims to maximize respondent participation and ensure the collection of high-quality data for analysis.

3.9 Validity and Reliability

The primary data collection instrument for this study is a structured questionnaire adopted from the OECD financial literacy framework, which is widely recognized and validated in previous research.

Validity is established through the OECD framework's rigorous development process, ensuring both content and construct validity. Its questions comprehensively cover the key dimensions of financial literacy, including financial knowledge, behavior, and attitudes. The instrument's alignment with established theoretical frameworks further supports its validity.

By utilizing a standardized and widely validated instrument, this study ensures that the data collected is reliable, accurate, and relevant to the research objectives.

3.10 Ethical Considerations

The ethical considerations section of the thesis was detail the steps taken to ensure ethical conduct throughout the research process. These steps include obtaining informed consent from participants, maintaining confidentiality and privacy, minimizing harm, ensuring data security, providing debriefing opportunities, and complying with relevant ethical guidelines. These measures was demonstrate a commitment to upholding ethical standards and respecting participants' rights throughout the research process.

CHAPTER FOUR

Data Analysis, Results and Discussions

4.0 Introduction

In this chapter, the descriptive and inferential statistical analyses of the information collected are discussed. This chapter has four sections. The first section is the descriptive statistics which explains the basic characteristics of the study variable like mean, frequency and percentage. The second section is the multiple regression analysis in which the relationship and the degree of association between the dependent variables and independent variables are introduced. The next part of the chapter, the regression results detail the findings of the regression models. The last section involves testing of Hypothesis.

4.1 Descriptive Analysis

Descriptive statistics are used to summarize data in an organized manner by describing the relationship between variables in a sample or population. Calculating descriptive statistics represents a vital first step when conducting research and should always occur before making inferential statistical comparisons. Yellapu, Vikas. (2018).

Descriptive analysis includes a range of procedures for systematically gathering, measuring, classifying, computing, describing, and interpreting quantitative data. This analysis is essential for summarizing the data collected from the first section of the questionnaire, which focuses on the response rate and the demographic profile of respondents.

Response Rate

To conduct the research questionnaires were distributed among the decision making personnels in five local NGOs to the respondents and the response rate indicated in the table 4.1 below.

Table 2 Response rate of the respondents

Items	Response rate	
	No.	Percent
Sample size	100	100%
Collected	100	100%

Source Researchers Survey

4.1.1 Demographic Characteristics of Respondents

For this study, demographic characteristics of the respondents such as sex, level of education, and year of experience of the respondents presented and discussed.

Table 3 Background profile of the Respondents

Items	Options	Frequency	Valid Percent	Cumulative Percent
Sex	Male	37	37.00	37.00
	Female	63	63.00	100
	Total	100	100.0	
Level of education	Diploma	10	10.00	10
	First degree	70	70.00	80
	Masters Degree	20	20.00	100.0
		100	100.0	
Age	18-25 years	34	34	34
	26-35 years	32	32	66
	36-45 years	25	25	91
	46-55 years	7	7	98
	Above 56 years	2	2	100
	Total	100	100.0	

4.2.1 Descriptive Statistics Measurement of financial decision and financial literacy

Table 4 Descriptive Statistics

	N	Mean	Std. Deviation
Financial Behavior	100	3.9867	.24696
Financial Knowledge	100	3.9325	.26318
Financial Decision	100	4.3012	.43049
Financial Attitude	100	3.8080	.32526
Valid N (listwise)	100		

For the purpose of this study, the mean score is used to evaluate the respondents' financial behaviors, financial attitude, and financial knowledge, providing an overall indication of the average level exhibited by the participants.

The Mean Score Interpretation Table constructed by Nunnally and Berstein (1994) was used in this study to measure the mean score. The Mean Score Interpretation is as shown below

Low: A mean score ranging from 1.00 to 2.00 is interpreted as Low.

Medium Low: A mean score between 2.01 and 3.00 is considered Medium Low.

Medium High: A mean score ranging from 3.01 to 4.00 is interpreted as Medium High.

High: A mean score between 4.01 and 5.00 is classified as High.

The mean score for Financial Behavior is 3.99, suggesting that on average, respondent's exhibit positive financial behaviors. The relatively low standard deviation (0.25) indicates that there is a moderate consistency in financial behaviors among the respondents.

The mean score for Financial Knowledge is 3.93, indicating that respondents generally possess a high level of financial knowledge. The standard deviation of 0.26 shows that there is some variability in the financial knowledge levels among the participants, but overall, the knowledge levels are fairly consistent.

With a mean score of 4.30 for Financial Decision, respondents tend to make decisions that are considered well-informed and sound. The higher standard deviation (0.43) suggests that there is more variability in the quality of financial decisions compared to financial behavior and knowledge, reflecting differences in how individuals approach financial decision-making.

The mean score for Financial Attitude is 3.81, which indicates a generally positive attitude towards financial matters. The standard deviation of 0.33 implies a moderate level of variation in attitudes among respondents.

4.3 Inferential Analysis

4.3.1 Correlation Analysis between Financial decision making, financial knowledge, financial behavior and Financial Attitude

The Pearson correlation coefficient is employed to assess the strength and direction of the relationship between pairs of variables. In this study, all variables were measured using a Likert scale. According to Lind, Marchal, and Wathen (2008), a Pearson r-value close to -1.00 or +1.00 signifies a strong relationship between the variables. Conversely, values closer to 0 indicate a weaker relationship. Additionally, the significance of the relationships between variables is evaluated using the p-value, with a threshold of less than .05 commonly used to determine statistical significance.

This section presents the correlation analysis for the variables under investigation, focusing on the relationships between Financial Decision, Financial Behavior, Financial Knowledge, and Financial Attitude. The analysis explores how these variables interrelate and assesses their implications for financial decision-making.

Table 5 Correlations Table between Financial Decision Financial Behavior, Financial Knowledge and Financial Attitude

		Financial Decision	Financial Behavior	Financial Knowledge	Financial Attitude
Financial Decision	Pearson Correlation	1	-.096	.805**	-.046
	Sig. (2-tailed)		.340	.000	.648
	N	100	100	100	100

Correlation is significant at the 0.01 level (2-tailed).

Pearson's correlation coefficient, developed by Karl Pearson, quantifies the strength and direction of a linear relationship between two variables. Cohen (1988) categorizes the strength of correlations as weak ($0.1 \leq |r| < 0.3$), moderate ($0.3 \leq |r| < 0.5$, and strong ($|r| \geq 0.5$), providing a framework widely adopted in behavioral sciences.

With Pearson Correlation: 0.805, $p < 0.01$ there is a strong positive correlation between Financial Knowledge and Financial Decision. This indicates that higher levels of Financial Knowledge are associated with better Financial Decision-making. The high r-value and significant p-value suggest a robust and meaningful relationship.

With Pearson Correlation: -0.096, $p = 0.340$ the correlation between Financial Behavior and Financial Decision is weak and not statistically significant. This implies that Financial Behavior does not have a strong direct relationship with Financial Decision-making, as indicated by both the low r-value and non-significant p-value.

With Pearson Correlation: -0.046, p = 0.648 There is a very weak and non-significant correlation between Financial Attitude and Financial Decision. This suggests that Financial Attitude has a minimal direct impact on Financial Decision-making, as reflected by the low r-value and high p-value.

Overall, the correlation analysis reveals that Financial Knowledge has a strong and positive relationship with Financial Decision-making, while Financial Behavior and Financial Attitude show weaker and less significant correlations. These findings underscore the importance of Financial Knowledge in influencing Financial Decision, while suggesting that Financial Behavior and Financial Attitude may play less direct roles

4.4 Multiple Regression Analysis

Regression analysis is a statistical technique for estimating the relationship among variables which have reason and result relation. Main focus of univariate regression is to analyze the relationship between a dependent variable and one independent variable and formulate the linear relation equation between dependent and independent variable. Regression models with one dependent variable and more than one independent variables are called multilinear regression Gülden Kaya Uyanık (2013).

4.4.1 Normality Test

Before proceeding with the multiple regression analysis to understand the effect of financial literacy on financial decision making in local NGOs , some tests were conducted to ensure the overall fitness of the model.

To ensure the normality of the distribution is assessed properly , the residual values must first be calculated, and the normality test should be performed on these residuals. the Shapiro-Wilk and the Kolmogotov-smirnov test which is used for this purpose, where a significance value greater than 0.05 indicates normality. The results are shown below

Table 9 Tests of Normality

	Kolmogorov-Smirnova			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Studentized Residual	.052	100	.200*	.989	100	.608

In this study, Both the Kolmogorov-Smirnov and Shapiro-Wilk tests show significance values greater than 0.05, indicating that the residuals meet the assumption of normality.

4.4.2 Linearity Test

Linearity refers to the extent to which changes in the independent variable correspond to changes in the dependent variable. To assess whether the relationship between the independent and dependent variables is linear, a plot of the regression results was generated using SPSS software. In a linear relationship, the residuals should form a straight line when plotted against the predicted dependent variable scores. For this study, the relationship between the independent and dependent variables indicates no linearity issues, as the residuals align along a straight line. This conclusion is illustrated in the following figures

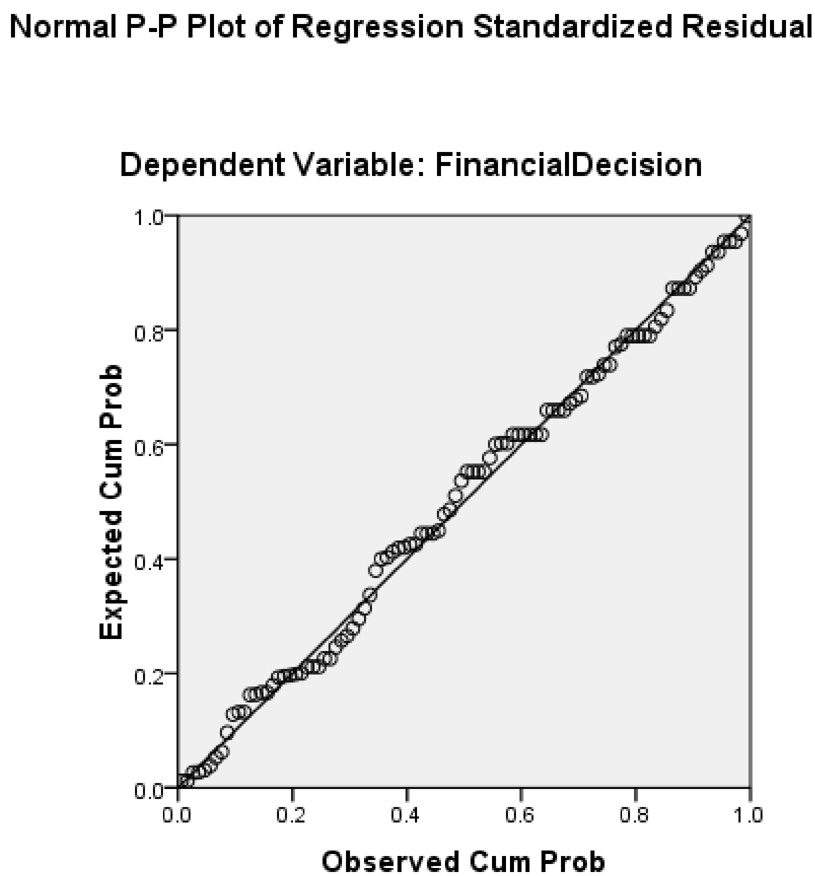

Figure 1 P-P Plot of regression standardized residual

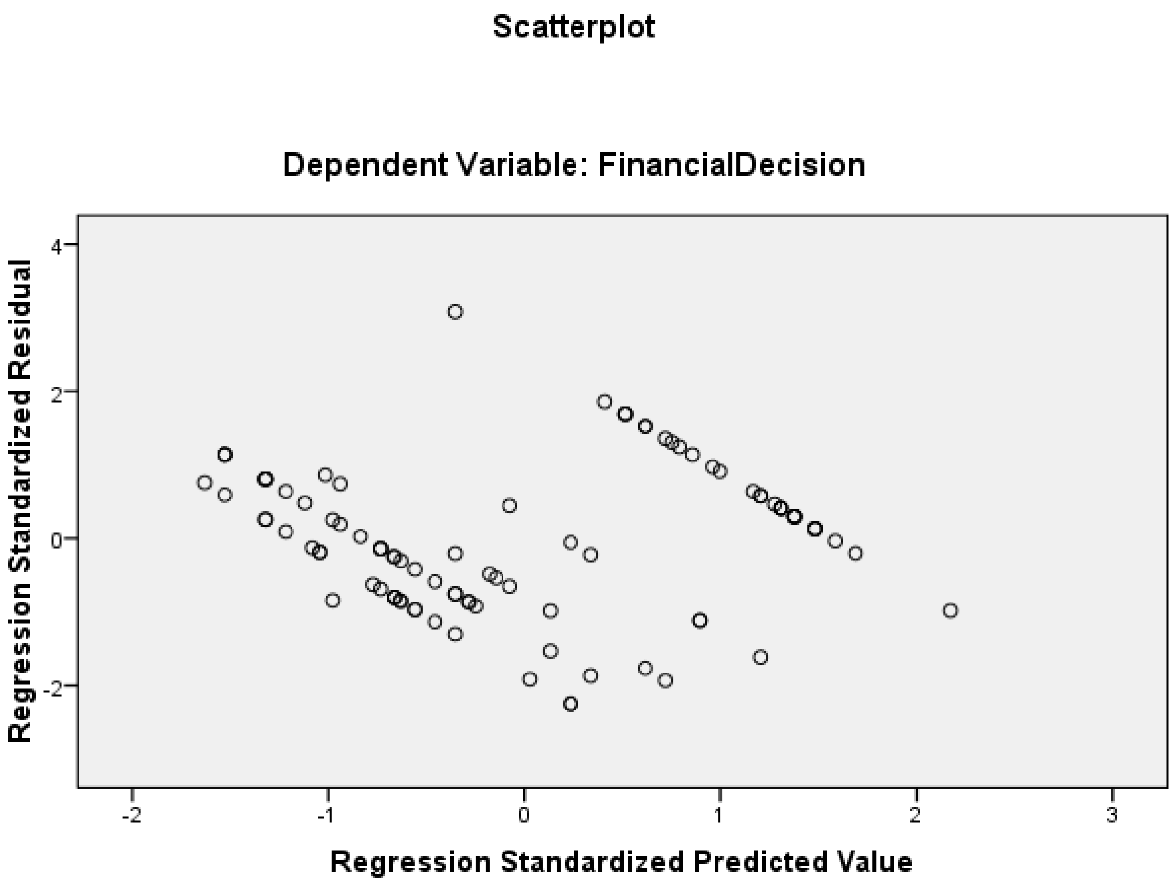

Figure 2 Scatterplot

4.4.3 Multicollinearity Test

To detect multicollinearity, two key metrics are used: Variance Inflation Factor (VIF) and Tolerance. VIF measures how much the variance of an estimated regression coefficient increases due to multicollinearity, with values above 10 indicating potential issues. Tolerance, the reciprocal of VIF, indicates the proportion of variance in an independent variable that is not explained by other independent variables, with values below 0.1 suggesting high multicollinearity. Identifying and addressing multicollinearity is crucial to ensure reliable and interpretable regression results.

Table 10 Multicollinearity Test of Multiple Linear Regression Analysis

Independent Variables	Collinearity Statistics	
	Tolerance	VIF
Financial Attitude	0.607	1.647
Financial Knowledge	0.949	1.053
Financial Behavior	0.630	1.587

Financial Attitude With a Tolerance of 0.607 and a VIF of 1.647, the collinearity is moderate but not severe. A Tolerance value above 0.1 and a VIF below 10 generally indicate that multicollinearity is not a significant problem. Financial Knowledge This variable has a high Tolerance of 0.949 and a low VIF of 1.053, suggesting that it is not significantly affected by multicollinearity and has minimal correlation with the other independent variables. Financial Behavior With a Tolerance of 0.630 and a VIF of 1.587, this variable also shows moderate collinearity but remains within acceptable limits. Overall, none of the VIF values exceed the common threshold of 10, and all Tolerance values are above the critical level of 0.1. Therefore, multicollinearity does not appear to be a serious issue in this model, and the independent variables are relatively well-conditioned.

4.5 Regression Model Analysis of Effect of Financial Literacy on Financial Decision making in Local NGOs

After assumptions and overall fitness of the model is checked regression analysis is run to find the relationship and effect of the dependent variable and independent variable.

Regression analysis is the statistical technique that identifies the relationship between two or more quantitative variables: a dependent variable, whose value is to be predicted, and an independent or explanatory variable (or variables), about which knowledge is available. The technique is used to find the equation that represents the relationship between the variables. Multiple regressions provide an equation that predicts one variable from two or more independent variables. Regression analysis is used to understand the statistical dependence of one variable on other variables. The technique can show what proportion of variance between variables is due to the dependent variable, and what proportion is due to the independent variables. Kidist Alemayehu (2020).

4.5.1 Model Summary of Effect of Financial Literacy on Financial Decision making in local NGOs

Table 11 ANOVA Table

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	13.350	3	4.450	85.497	.000a
Residual	4.997	96	.052		
Total	18.347	99			

a. Predictors: (Constant), Financial Attitude, Financial Knowledge, Financial Behavior

b. Dependent Variable: Financial Decision

ANOVA table indicates the regression model is highly significant in explaining the variance in Financial Decision. The regression sum of squares is 13.350 with 3 degrees of freedom, and the mean square for the regression is 4.450. The F-statistic is 85.497 with a p-value of 0.000, demonstrating that the model as a whole significantly predicts the dependent variable. These results underscore the model's effectiveness in capturing the relationship between the predictors and Financial Decision.

Table 12 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.853a	.728	.719	.22814	2.004

a. Predictors: (Constant), Financial Attitude, Financial Knowledge, Financial Behavior

b. . Dependent Variable: Financial Decision

The Model Summary indicates a strong fit for the regression model, with an R-value of 0.853 and an R-squared of 0.728, indicating that 72.8% of the variance in Financial Decision is explained by the predictors (Financial Behavior, Financial Knowledge, and Financial Attitude). The Adjusted R-squared is 0.719, confirming the model's robustness while accounting for the number of predictors. The Standard Error of the Estimate is 0.22814, and the Durbin-Watson statistic is 2.004, suggesting no significant autocorrelation. Overall, the model effectively predicts Financial Decision. However 28% variance remains unexplained and can be recommended for further investigation.

4.6 Multiple Linear Regression on Effect of financial literacy on Financial Decision Making

The multiple regression analysis show the effect each variable has on the dependent variable which is the financial decision making process by analyzing the Beta coefficient of Financial Attitude , Financial Knowledge, Financial Behavior we can determine the strength of effect each has on the Financial decision making process of local NGOs, the output has been summarized in the following Table 4.6 below

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.421	.471		.893	.374
Financial Behavior	-.611	.119	-.351	-5.131	.000
Financial Knowledge	1.423	.089	.870	15.910	.000
Financial Attitude	.190	.089	.144	2.139	.035

Table 13 Coefficient Table

The regression analysis shows that Financial Behavior exhibits a negative relationship with the dependent variable, as indicated by the unstandardized coefficient (B = -0.611). This suggests that for each one-unit increase in Financial Behavior, the dependent variable decreases by 0.611 units, controlling for other variables. The standardized coefficient (Beta = -0.351) indicates that a one standard deviation increase in Financial Behavior results in a 0.351 standard deviation decrease in the dependent variable. The significance value (p = 0.000) shows that Financial Behavior is a statistically significant predictor of the dependent variable. The negative relationship is due to respondents tending to be conservative to prioritize careful spending and are risk-aversion, leading to their financial decisions being more conservative.

The findings therefore, contradicts with the findings of Abdi, Fella & Bouchetara, Mehdi & Gahlam, Nadia & Belaidi, Ali & Mohamed Rafik, Missoum. (2023) which states that financial behavior have a positive and significant impact on the decision-making process. In this case, the majority of the respondents' financial behavior opinions are negative, which can be justified with the context of local NGOs

The analysis shows that Financial Knowledge has a strong positive relationship with the dependent variable, with an unstandardized coefficient of 1.423. This means that for every one-unit increase in Financial Knowledge, the dependent variable increases by 1.423 units, holding other variables constant. The standardized coefficient (Beta = 0.870) indicates that a one standard deviation increase in Financial Knowledge results in a 0.870 standard deviation increase in the dependent variable. With a significance value of 0.000, Financial Knowledge is a highly significant predictor of the dependent variable ($p < 0.05$), making it the most impactful variable in the model.

The above finding is backed by Alzahrani et al. (2023) that emphasized the impact of financial literacy on investment choices, indicating that individuals with greater financial knowledge tend to make more diversified and informed investment decisions.

The analysis output shows Financial Attitude also has a positive relationship with the dependent variable, with an unstandardized coefficient of 0.190. This suggests that for every one-unit increase in Financial Attitude, the dependent variable increases by 0.190 units, controlling for other variables. The standardized coefficient (Beta = 0.144) indicates that a one deviation increase in Financial Attitude leads to a 0.144 increase in the dependent variable. The significance value ($p = 0.035$) confirms that Financial Attitude is statistically significant, though its impact is smaller compared to Financial Knowledge and Financial Behavior.

The resulting predictive equation from the regression model using the standardized coefficient is:

Financial Decision Making=0.421+(−0.611×Financial Behavior)+(1.423×Financial Knowledge)+(0.190×Financial Attitude)

This is backed by Hidayati, Siti & Wahyulina, Sri & Suryani, Embun. (2021) which states Financial Attitudes have a positive and significant effect on Financial Decision making by the manager and owner of SMEs which means that the better the Financial Attitudes owned by the SMEs owner, the better it is in making Financial Decisions

Overall, conservative financial behaviors negatively affect financial outcomes, strong financial knowledge and a positive financial attitude significantly improve financial decision-making. Financial Knowledge, in particular, stands out as the most influential predictor in the model.

4.6 Hypothesis Testing

After computing the multiple regression analysis the researcher has proved the statistical significance of the variables and accept or reject the hypothesis based on the beta coefficients, A total of 3 hypothesis was developed by the researcher and is reported as follows,

The regression analysis conducted tested the following hypotheses:

- **H1:** Financial behavior has a significant positive effect on financial decision-making in local NGOs.
- **H2:** Financial knowledge has a significant positive effect on financial decision-making in local NGOs.
- **H3:** Financial attitude has a significant positive effect on financial decision-making in local NGOs.in

Hypothesis One

The analysis shows that Financial Behavior has a negative relationship with financial decision-making (B = -0.611, p = 0.000). This suggests that H1 is rejected, as the effect of Financial Behavior on financial decision-making is not positive, but rather negative and statistically significant. The result reflect that more cautious or conservative financial behaviors can lead to reduced financial decisions in local NGOs.

Hypothesis Two

Financial Knowledge exhibits a strong positive effect on financial decision-making (B = 1.423, p = 0.000). This supports H2, confirming that Financial Knowledge significantly enhances financial decision-making in local NGOs. The hypothesis is accepted, making Financial Knowledge the most impactful predictor in the model.

Hypothesis Three

Financial Attitude also has a positive relationship with financial decision-making (B = 0.190, p = 0.035), supporting H3. The hypothesis is accepted, indicating that a positive financial attitude contributes to better financial decision-making in local NGOs, although its effect is smaller compared to Financial Knowledge and Financial Behavior.

Table 14 Summary of Hypothesis

Hypothesis	Beta value	P-value	Result
H1: Financial behavior has a significant positive effect on financial decision-making in local NGOs.	-0.611	.000	Rejected (Negative)
H2: Financial knowledge has a significant positive effect on financial decision-making in local NGOs	1.423	.000	Accept
H3: Financial attitude has a significant positive effect on financial decision-making in local NGOs.	0.190	.035	Accept

4.7 Discussion of Results

The regression analysis conducted in this study reveals several important insights regarding the relationship between Financial Behavior, Financial Knowledge, Financial Attitude, and financial decision-making within local NGOs. The findings indicate both expected and unexpected patterns that contribute to understanding how these variables interact in the context of non-profit organizations.

The analysis shows that Financial Behavior has a negative relationship with financial decision-making, with an unstandardized coefficient of ($B=-0.611$) and a standardized coefficient ($\beta=-0.351$), both statistically significant ($p = 0.000$). This suggests that as individuals engage in more conservative financial behavior—prioritizing careful spending and avoiding risk—their overall financial decision-making becomes more cautious and restrained.

This finding contrasts with the conclusions drawn by Abdi et al. (2023), who posited that financial behavior generally has a positive impact on decision-making. However, the negative relationship observed in this study can be explained within the unique context of local NGOs, where risk aversion and cautious financial management are often necessary due to the nature of funding sources and limited financial flexibility. Non-profit organizations are generally focused on sustainability and resource allocation, often emphasizing conservative strategies to ensure their long-term viability. As Cohen and Nelson (2015) noted, risk aversion in such settings tends to limit the range of financial decisions that are made, leading to more cautious approaches.

Additionally, it is important to recognize that financial behavior in this study reflects participants' attitudes toward spending and managing resources. The negative relationship may indicate that the respondents were not prone to high-risk financial decisions, which aligns with the conservative nature often seen in sectors like NGOs, where the focus is more on preserving capital rather than generating high returns or engaging in speculative ventures (Abdullah, 2020).

Financial Knowledge and Financial Decision-Making In contrast to financial behavior, Financial Knowledge exhibited a strong positive relationship with financial decision-making. The unstandardized coefficient for financial knowledge was $B=1.423$ and the standardized coefficient was $\beta=0.870$, both statistically significant ($p = 0.000$). This means that an increase of one unit in financial knowledge results in a 1.423 unit increase in the dependent variable (financial decision-making), and a one standard deviation increase in financial knowledge results in a 0.870 standard deviation increase in decision-making.

These results support prior research, such as Alzahrani et al. (2023), who found that higher financial literacy and knowledge are strongly correlated with improved decision-making in investment and savings. Financially literate individuals are better equipped to evaluate various financial options, make informed decisions, and manage risks effectively. This aligns with Lusardi and Mitchell (2014), who emphasized the critical role of financial knowledge in helping individuals navigate complex financial decisions, particularly in areas like retirement planning and investments. In the case of local NGOs, individuals with greater financial knowledge are likely to make better decisions regarding budget management, funding allocation, and overall financial strategy.

Financial Attitude was found to have a positive relationship with financial decision-making, though its impact was smaller compared to both financial behavior and knowledge. The unstandardized coefficient for financial attitude was $B=0.190$, and the standardized coefficient was $\beta=0.144$, significant at $p=0.035$. This suggests that a positive financial attitude—characterized by an optimistic and proactive approach toward managing finances—results in better decision-making, but its influence is less pronounced than the impact of financial knowledge.

This finding aligns with Hidayati et al. (2021), who found that financial attitudes have a significant impact on decision-making, particularly among SMEs (Small and Medium-sized

Enterprises). Their research indicated that a positive financial attitude is linked to more effective financial planning and decision-making, even when financial knowledge and behavior are not at their highest levels. Similarly, Sharma et al. (2019) found that while financial attitudes play an important role in financial outcomes, they often serve as a complementary factor to financial knowledge and behavior, rather than being the sole driving force.

In this study, the relatively weaker influence of financial attitude could be attributed to the specific context of local NGOs, where practical financial behaviors (e.g., resource management and risk aversion) and technical knowledge of finance are often more directly relevant to decision-making than general attitudes or beliefs about money.

The overall findings highlight the relative importance of Financial Knowledge in driving financial decision-making, with financial behavior and attitude also playing significant roles. Financial knowledge, as the strongest predictor, underscores the importance of financial literacy programs for employees in NGOs and other non-profit sectors. These programs could help enhance the decision-making capabilities of NGO staff, enabling them to manage organizational resources more effectively and make informed financial decisions that align with long-term organizational goals.

Moreover, the negative relationship between financial behavior and decision-making, though unexpected, suggests that financial education in NGOs should also emphasize risk management and cautious spending practices. Educating staff on how to balance conservatism with opportunities for growth could lead to more nuanced financial decisions.

Chapter Five

Summary, Conclusion and Recommendation

5.0 Introduction

This chapter presents the summary, recommendations, and conclusions of the study. This chapter further report on the limitations of the study, the specific objectives of the study and recommended areas for further research.

5.1 Summary of findings

The main objective of this study is to assess the effect of financial literacy on the financial decision-making processes within local NGOs. The study used descriptive, correlational and regression analysis to answer the following research questions.

1. What is the effect of financial behavior on financial decision making in local NGOs?

2. What is the effect of financial knowledge on financial decision making in local NGOs?

3. What is the effect of financial attitude on financial decision making in local NGOs?

The selected NGOs were those working on intellectual disabilities and located in Addis Ababa were targeted. By employing the census approach specifically for decision-makers, the study maintained its inclusivity while ensuring that the data collected is directly relevant to the research question. and from these NGOs professional decision maker individuals were targeted and 100 questionnaires containing items relating to financial behavior , financial attitude , financial knowledge and financial decision making were distributed.

After the investigation the research showed the following findings:-

The descriptive statistics show that respondents generally demonstrate positive financial behaviors, with a mean score of 3.99 and the lowest variability (standard deviation: 0.25), indicating consistency across the group. Financial knowledge is also relatively strong, with a mean of 3.93 and a slightly higher standard deviation (0.26), suggesting fairly consistent knowledge levels. Financial attitudes have the lowest mean score of 3.81, reflecting a positive but comparatively weaker attitude toward financial matters, with moderate variability (standard deviation: 0.33).

However, despite the positive descriptive statistics for Financial Behavior, the regression analysis reveals a negative relationship. This suggests that while respondents generally exhibit positive behaviors, certain factors such as financial planning and risk taking might be influencing their financial behavior negatively. In other words, although behaviors appear consistent, specific predictors might be driving poorer outcomes for some respondents. This highlights the importance of considering both descriptive and regression analyses to fully understand financial behavior.

The correlation analysis reveals significant insights into the relationships between financial variables. There is a strong positive correlation (Pearson Correlation: 0.805, $p < 0.01$) between Financial Knowledge and Financial Decision, indicating that higher levels of financial knowledge are associated with better decision-making in financial contexts. The high correlation coefficient and significant p-value suggest a robust relationship.

In contrast, the correlation between Financial Behavior and Financial Decision is weak (Pearson Correlation: -0.096, $p = 0.340$) and not statistically significant. This finding implies that financial behavior does not have a strong direct relationship with decision-making in finance, as indicated by the low correlation value and non-significant p-value.

Additionally, the correlation between Financial Attitude and Financial Decision is very weak (Pearson Correlation: -0.046, $p = 0.648$) and also not statistically significant. This suggests that financial attitude has minimal direct impact on financial decision-making, as reflected by the low correlation and high p-value.

The regression analysis reveals significant insights into the relationships between financial variables with 27.2% of the variance remaining unexplained but covering the 72.8%. There is a strong positive correlation (Pearson Correlation: 0.805, $p < 0.01$) between Financial Knowledge and Financial Decision, indicating that higher levels of financial knowledge are associated with better decision-making. The high correlation coefficient and significant p-value suggest a robust relationship.

Conversely, the correlation between Financial Behavior and Financial Decision is weak (Pearson Correlation: -0.096, $p = 0.340$) and not statistically significant. Similarly, the correlation between Financial Attitude and Financial Decision is very weak (Pearson Correlation: -0.046, $p = 0.648$) and not significant. However, the regression analysis reveals a significant negative relationship between Financial Behavior and the dependent variable ($B = -0.611$, $p = 0.000$), suggesting that increases in financial behavior are associated with decreases in the dependent variable. This finding contradicts the weak correlation and arises from the regression analysis controlling for other factors that influence decision-making.

In contrast, Financial Knowledge shows a strong positive relationship in regression ($B = 1.423$, $p = 0.000$), confirming the correlation analysis findings. Financial Attitude also presents a positive relationship in regression ($B = 0.190$, $p = 0.035$), indicating a statistically significant impact.

Despite consistent behaviors, challenges in financial planning and risk-taking contribute to negative outcomes. The findings underscore the critical relationship between knowledge, behavior, and external influences on financial decisions.

5.2 Recommendations

Financial knowledge, also known as financial education, is a method through which people enhance their understanding of the concepts and risks associated with financial products. This knowledge enables individuals to develop the skills and confidence necessary to make fundamental and safe decisions (OECD, 2017). Therefore local NGOs can enhance their financial decision making process by:-

- ➢ Encourage ongoing learning by providing access to financial tools, resources, and professional development opportunities. This could include online courses, workshops, or certifications in financial management.
- ➢ Integrate financial knowledge assessments into regular employee performance evaluations to ensure continuous improvement and identify knowledge gaps that need addressing.

Financial behavior, as defined by Potrich et al. (2016), refers to actions that reflect good behavior in managing pocket money in accordance with objectives and financial realization. Therefore local NGOs can enhance their financial decision making process by:-

- ➢ Promote a more balanced approach to financial behavior within NGOs by encouraging staff to take measured risks when making financial decisions. This may involve educating employees on how to responsibly manage resources while still allowing room for growth and innovation.
- ➢ Establish clear guidelines for financial decision-making that outline when conservative approaches are appropriate and when a more proactive stance is beneficial.
- ➢ Develop simulation exercises or scenario planning activities that allow employees to practice making decisions with varying degrees of risk, helping them become more comfortable with different financial strategies.

Financial attitudes are defined as a combination of concepts, information, and emotions about learning, which result in a readiness to react favorably (Shockey, 2002). Financial behavior is considered an essential element of financial literacy, as well as the most important (OECD, 2013).

- ➢ Promote a positive financial culture by promoting open communication around financial goals and decision-making processes. This could involve holding regular financial strategy meetings where employees can contribute and feel ownership over decisions.
- ➢ Offer recognition and incentives for employees who display proactive and positive financial attitudes, reinforcing the importance of being engaged in financial planning and management.
- ➢ Provide mentorship opportunities where experienced financial leaders can guide less experienced employees, helping them develop a more positive and confident approach to handling financial matters.

5.4 Contribution of the study

This study makes several important contributions to the understanding of financial decision-making within local NGOs. First, it highlights the critical role of financial knowledge in shaping effective financial decisions, reinforcing the need for targeted financial literacy programs within these organizations. By identifying financial knowledge as the most significant predictor of sound financial decision-making, this study offers actionable insights that can guide NGOs in prioritizing educational initiatives for their employees.

Second, the study provides new insights into the relationship between financial behavior and decision-making in the context of local NGOs. Contrary to existing literature, which typically emphasizes a positive relationship, this research found a negative association between financial behavior and decision-making. This unique finding underscores the conservative financial practices prevalent in local NGOs and provides a foundation for further investigation into how risk aversion and resource constraints impact decision-making in such settings. furthermore the conservative culture in the local context can be put into consideration to further analyze the financial behavior variable.

Additionally, the study contributes to a deeper understanding of financial attitudes in NGOs, showing that while it has a statistically significant impact, its influence is more modest compared to knowledge and behavior. This suggests that while fostering positive financial attitudes is important, knowledge and behavior may play a more direct role in shaping financial outcomes.

Finally, by focusing specifically on local NGOs, the study fills a gap in the literature where research on financial practices in non-profit organizations, particularly smaller and understaffed NGOs, is limited. The findings are particularly relevant for practitioners and policymakers within the non-profit sector, offering a foundation for improving financial management and decision-making processes in NGOs through targeted training and resource allocation strategies.

5.5 Conclusion

This study focuses on the relationship between financial literacy and financial decision-making processes within local NGOs, particularly those focused on supporting individuals with intellectual disabilities in Addis Ababa. The findings show the importance of financial knowledge as the most significant predictor of effective financial decision-making. The strong positive correlation between financial knowledge and decision-making highlights the necessity for comprehensive financial literacy programs tailored for NGO employees involved in financial responsibilities.

Contrary to prevailing literature, the study reveals a negative relationship between financial behavior and financial decision-making within the context of local NGOs. This unexpected finding suggests that while respondents exhibit positive financial behaviors, underlying factors such as risk aversion and conservative financial practices may hinder effective decision-making. This insight emphasizes the need for NGOs to cultivate a balanced approach to financial behavior, enabling staff to embrace calculated risks while managing resources responsibly.

Furthermore, while financial attitude demonstrates a statistically significant impact on decision-making, its influence is weaker compared to financial knowledge and behavior. This suggests that fostering a positive financial culture within NGOs, while important, should be complemented by initiatives that enhance financial literacy and encourage proactive financial behaviors.

Overall, the contributions of this study are vital for practitioners and policymakers within the non-profit sector. The insights gained here not only address the specific challenges faced by local NGOs but also provide a foundation for future research in the realm of financial management within non-profit organizations. By prioritizing targeted educational initiatives and promoting a balanced approach to financial behaviors, local NGOs can improve their financial decision-making processes, ultimately enhancing their capacity to serve their communities effectively. This study advocates for ongoing efforts to bridge knowledge gaps, foster positive financial attitudes, and develop practical strategies that align with the unique operational context of local NGOs.

5.6 Areas for further research

While this study provides valuable insights into the relationship between financial literacy and decision-making processes within local NGOs, several areas require further exploration. In the future this research could focus on studies to track the long-term impact of financial literacy programs on decision-making outcomes among NGO employees. Additionally, examining the influence of organizational culture on financial decision-making could reveal how internal dynamics affect the effectiveness of financial literacy initiatives.

furthermore the independent variables which are financial attitude, financial knowledge and financial behavior explains 72.8% of variation on the dependent variable which is financial decision making this means 28% of the variation isn't covered in this study paving the way for further researchers to expand and include them to study the effect of financial literacy on financial decision making in local NGOs.

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Appendix A

ST MARY'S UNIVERSITY
DEPARTMENT OF
BUSINESS ADMINISTRATION
MBA PROGRAM

Dear Participant,

Thank you for agreeing to contribute to our research study. This questionnaire is designed to collect essential insights into the effect of financial literacy on the financial decision-making processes within NGOs operating at the local level. Your valuable responses was aid in comprehending the factors that influence financial decisions in the nonprofit sector. Please answer the following questions to the best of your ability. Rest assured, your responses was be kept confidential and solely utilized for research purposes.

<u>Section A: Demographic Information</u>

1. **Age Group:**
   - ○ 18-25 years
   - ○ 26-35 years
   - ○ 36-45 years
   - ○ 46-55 years
   - ○ 56 years and above
2. **Sex:**
   - ○ Male
   - ○ Female

3. **Level of Education:**
    - Diploma
    - First Degree
    - Masters Degree

Section B: Financial Behavior

Please indicate the extent to which you agree or disagree with the following statements using the scale provided:

1. **Before I buy something, I carefully consider whether I can afford it.**
    - 1 (Strongly disagree)
    - 2 (Disagree)
    - 3 (Neutral)
    - 4 (Agree)
    - 5 (Strongly agree)
2. **I pay my bills on time.**
    - 1 (Strongly disagree)
    - 2 (Disagree)
    - 3 (Neutral)
    - 4 (Agree)
    - 5 (Strongly agree)
3. **I keep a close watch on my financial affairs.**
    - 1 (Strongly disagree)
    - 2 (Disagree)
    - 3 (Neutral)
    - 4 (Agree)
    - 5 (Strongly agree)

4. **I set long-term financial goals and work to achieve them.**
    - 1 (Strongly disagree)

- 2 (Disagree)
- 3 (Neutral)
- 4 (Agree)
- 5 (Strongly agree)

5. **I always research my options thoroughly before making a decision about a financial product or service.**
    - 1 (Strongly disagree)
    - 2 (Disagree)
    - 3 (Neutral)
    - 4 (Agree)
    - 5 (Strongly agree)
6. **I am prepared to risk some of my own money when saving or investing.**
    - 1 (Strongly disagree)
    - 2 (Disagree)
    - 3 (Neutral)
    - 4 (Agree)
    - 5 (Strongly agree)

Section C: Financial Attitude

Please indicate the extent to which you agree or disagree with the following statements using the scale provided:

1. **I feel more satisfied when I spend money rather than keeping it for the long term.**
    - 1 (Strongly disagree)
    - 2 (Disagree)
    - 3 (Neutral)
    - 4 (Agree)
    - 5 (Strongly agree)
2. **I tend to live for today and let tomorrow take care of itself.**
    - 1 (Strongly disagree)
    - 2 (Disagree)
    - 3 (Neutral)
    - 4 (Agree)
    - 5 (Strongly agree)
3. **Money is there to be spent.**
    - 1 (Strongly disagree)
    - 2 (Disagree)
    - 3 (Neutral)
    - 4 (Agree)
    - 5 (Strongly agree)

4. I feel confident managing my finances without assistance.

1 (Strongly disagree)

2 (Disagree)

3 (Neutral)

4 (Agree)

5 (Strongly agree)

5. I would rather have a smaller income with stable security than a high income with some financial risk.

1 (Strongly disagree)

2 (Disagree)

3 (Neutral)

4 (Agree)

5 (Strongly agree)

6 . I believe that taking on debt can be a good tool for achieving my financial goals.

1 (Strongly disagree)

2 (Disagree)

3 (Neutral)

4 (Agree)

5 (Strongly agree)

Section D: Financial Knowledge

Please answer the following questions based on your financial knowledge:

Question 1: Imagine that five brothers are given a gift of 1000 Ethiopian Birr (ETB). If the brothers have to share the money equally, how much does each one get?

- 100 ETB
- 200 ETB
- 250 ETB
- 300 ETB
- Other (please specify)

Question 2: Now imagine that the brothers have to wait for one year to get their share of the gift. In one year's time, was they be able to buy:

- a) More
- b) The same amount
- c) Less than they could buy today

Question 3: You lend X Ethiopian Birr (ETB) to a friend one evening, and he gives you X back the next day. How much interest has he paid on this loan?

- 0
- X
- 2X
- More than X
- Other (please specify)

Question 4: Suppose you put 100 ETB into a savings account with a guaranteed interest rate of 2% per year. You don't make any further payments into this account and you don't withdraw any money. How much would be in the account at the end of the first year, once the interest payment is made?

- 98 ETB
- 100 ETB
- 101 ETB
- 102 ETB

Question 5: How much would be in the account at the end of five years? Would it be:

- a) More than 110 ETB
- b) Exactly 110 ETB
- c) Less than 110 ETB
- d) It is impossible to tell from the information given

Question 6: An investment with a high return is likely to be high risk.

- True
- False

Question 7: High inflation means that the cost of living is increasing rapidly.

- True
- False

Question 8: It is usually possible to reduce the risk of investing in the stock market by buying a wide range of stocks and shares.

- True
- False

<u>Section E: Financial Decision Making</u>

Financial Decision Importance Questionnaire for NGOs

Please indicate the importance of each financial decision factor in your NGO using the scale provided:

1. **Budget allocation**
   - ○ 1 (Very unimportant)
   - ○ 2 (Unimportant)
   - ○ 3 (Neutral)
   - ○ 4 (Important)
   - ○ 5 (Very important)
2. **Type of investment (financial risk level)**
   - ○ 1 (Very unimportant)
   - ○ 2 (Unimportant)
   - ○ 3 (Neutral)
   - ○ 4 (Important)
   - ○ 5 (Very important)
3. **Expected financial return**
   - ○ 1 (Very unimportant)
   - ○ 2 (Unimportant)
   - ○ 3 (Neutral)
   - ○ 4 (Important)
   - ○ 5 (Very important)

4. **Past financial performance**
    - 1 (Very unimportant)
    - 2 (Unimportant)
    - 3 (Neutral)
    - 4 (Important)
    - 5 (Very important)

5. **Media influence on financial decisions**
    - 1 (Very unimportant)
    - 2 (Unimportant)
    - 3 (Neutral)
    - 4 (Important)
    - 5 (Very important)
6. **Financial risk aversion**
    - 1 (Very unimportant)
    - 2 (Unimportant)
    - 3 (Neutral)
    - 4 (Important)
    - 5 (Very important)
7. **Financial recommendations from stakeholders**
    - 1 (Very unimportant)
    - 2 (Unimportant)
    - 3 (Neutral)
    - 4 (Important)
    - 5 (Very important)

8. **Influence of stakeholders (e.g., board members, donors) on financial decisions**
    - 1 (Very unimportant)
    - 2 (Unimportant)
    - 3 (Neutral)
    - 4 (Important)
    - 5 (Very important)
9. **Income generation strategies**
    - 1 (Very unimportant)
    - 2 (Unimportant)
    - 3 (Neutral)
    - 4 (Important)
    - 5 (Very important)

10. **NGOs operational age**
    - 1 (Very unimportant)
    - 2 (Unimportant)
    - 3 (Neutral)
    - 4 (Important)
    - 5 (Very important)
11. **Geographical location of operations**
    - 1 (Very unimportant)
    - 2 (Unimportant)
    - 3 (Neutral)
    - 4 (Important)
    - 5 (Very important)

12. **Financial planning horizon**
    - ○ 1 (Very unimportant)
    - ○ 2 (Unimportant)
    - ○ 3 (Neutral)
    - ○ 4 (Important)
    - ○ 5 (Very important)
13. **Cost management**
    - ○ 1 (Very unimportant)
    - ○ 2 (Unimportant)
    - ○ 3 (Neutral)
    - ○ 4 (Important)
    - ○ 5 (Very important)

Appendix B

ST MARY'S UNIVERSITY

DEPARTMENT OF

BUSINESS ADMINISTRATION

MBA PROGRAM

ለእዚህ ጥናት ተሳታፊ ለመሆን ስለተስማማችሁ እናመሰግናለን። ይህ መጠይቅ የፋይናንሺያል እውቀት በሀገራዊ በሚንቀሳቀሱ መንግሥታዊ ያልሆኑ ድርጅቶች ውስጥ ባሉ የፋይናንስ ውሳኔ አሰጣጥ ሂደቶች ላይ ያለውን ተጽእኖ በተመለከተ አስፈላጊ ግንዛቤዎችን ለመሰብሰብ የተነደፈ ነው። የእርስዎ ጠቃሚ ምላሾች የፋይናንስ ውሳኔዎች ላይ ተጽእኖ የሚያሳድሩትን ነገሮች ለመረዳት ይረዳሉ። እባክዎን የሚከተሉትን ጥያቄዎች በተቻለዎት መጠን ይመልሱ። እርግጠኛ ይሁኑ፣ የእርስዎ ምላሾች በሚስጥር ይጠበቃሉ እና ለጥናት ዓላማዎች ብቻ ጥቅም ላይ ይውላሉ።

ክፍል ሀ፡ የህዝብ መረጃ

1. የዕድሜ ክልል

18-25 ዓመታት

26-35 ዓመታት

36-45 ዓመታት

46-55 ዓመታት

56 ዓመት እና ከዚያ በላይ

2. ጾታ፡-

ወንድ

ሴት

3. የገቢ ደረጃ፡-

ከ40,000 ብር በታች

40,000 ብር - 80,000

80,000 ብር - 120,000

120,000 ኢ.ቲ.ቢ - 160,000

ከ160,000 ብር በላይ

ክፍል ለ፡ የፋይናንስ ባህሪ

እባክዎን የቀረበውን ሚዛን በመጠቀም በሚከተሉት መግለጫዎች የተስማሙበትን ወይም የማይስማሙበትን መጠን ያመልክቱ።

1 . አንድ ነገር ከመግዛቴ በፊት, መግዛት እችል እንደሆነ በጥንቃቄ አስባለሁ.

1 (በጣም አልስማማም)

2 (አልስማማም)

3 (ገለልተኛ)

4 (እስማማለሁ)

5 (በጣም እስማማለሁ)

2. ወርሃዊ ሂሳቦቼን በሰዓቱ እከፍላለሁ።

1 (በጣም አልስማማም)

2 (አልስማማም)

3 (ገለልተኛ)

4 (እስማማለሁ)

5 (በጣም እስማማለሁ)

3. የፋይናንስ ጉዳዮቼን በቅርበት እከታተላለሁ።

1 (በጣም አልስማማም)

2 (አልስማማም)

3 (ገለልተኛ)

4 (እስማማለሁ)

5 (በጣም እስማማለሁ)

4. የረጅም ጊዜ የገንዘብ ግቦችን ካወጣሁ በኋላ እነሱን ለማሳካት እሰራለሁ።

1 (በጣም አልስማማም)

2 (አልስማማም)

3 (ገለልተኛ)

4 (እስማማለሁ)

5 (በጣም እስማማለሁ)

5. ስለ ፋይናንሺያል ምርት ወይም አገልግሎት ውሳኔ ከማድረጌ በፊት ሁል ጊዜ አማራጮቹን በጥልቀት እመረምራለሁ።

1 (በጣም አልስማማም)

2 (አልስማማም)

3 (ገለልተኛ)

4 (እስማማለሁ)

5 (በጣም እስማማለሁ)

6. ገንዘቤን ሳቆጥብ ወይም ኢንቨስት ሳደርግ የተወሰነውን ገንዘብ ለኪሳራ ለማጋለጥ ተዘጋጅቻለሁ።

1 (በጣም አልስማማም)

2 (አልስማማም)

3 (ገለልተኛ)

4 (እስማማለሁ)

5 (በጣም እስማማለሁ)

ክፍል ሐ: የፋይናንስ አመለካከት

እባክዎን የቀረበውን ሚዛን በመጠቀም በሚከተሉት መግለጫዎች የተስማሙበትን ወይም የማይስማሙበትን መጠን ያመልክቱ።

1. ገንዘብን ለረጅም ጊዜ ከማቆየት ይልቅ ገንዘብ ሳወጣ የበለጠ እርካታ ይሰማኛል

1 (በጣም አልስማማም)

2 (አልስማማም)

3 (ገለልተኛ)

4 (እስማማለሁ)

5 (በጣም እስማማለሁ)

2. ለዛሬ የመኖር ዝንባሌ አለኝ እና ነገ እራሱን እንዲንከባከብ እፈቅዳለሁ።

1 (በጣም አልስማማም)

2 (አልስማማም)

3 (ገለልተኛ)

4 (እስማማለሁ)

5 (በጣም እስማማለሁ)

3. ገንዘብ የሚወጣበት ቦታ አለ.

1 (በጣም አልስማማም)

2 (አልስማማም)

3 (ገለልተኛ)

4 (እስማማለሁ)

4. ያለእርዳታ ገንዘቤን እንደማስተዳደር በራስ መተማመን ይሰማኛል።

1 (በጣም አልስማማም)

2 (አልስማማም)

3 (ገለልተኛ)

4 (እስማማለሁ)

5 (በጣም እስማማለሁ)

5. የተወሰነ የፋይናንሺያል ስጋት ካለበት ከፍተኛ ገቢ ይልቅ የተረጋጋ ደህንነት ያለው ትንሽ ገቢ ቢኖረኝ እመርጣለሁ።

1 (በጣም አልስማማም)

2 (አልስማማም)

3 (ገለልተኛ)

4 (እስማማለሁ)

5 (በጣም እስማማለሁ)

6 . ዕዳ መቀበል የፋይናንስ ግቦቼን ለማሳካት ጥሩ መሣሪያ ሊሆን ይችላል ብዬ አምናለሁ።

1 (በጣም አልስማማም)

2 (አልስማማም)

3 (ገለልተኛ)

4 (እስማማለሁ)

5 (በጣም እስማማለሁ) (በጣም እስማማለሁ)

ክፍል መ : የፋይናንስ እውቀት

በሂሳብ እውቀትዎ ላይ በመመስረት እባክዎ የሚከተሉትን ጥያቄዎች ይመልሱ።

ጥያቄ 1፡ አምስት ወንድማማቾች 1000 ብር ስጦታ ከተበረከተላቸው እና እኘህ ወንድማማቾች ገንዘቡን በእኩል መጠን መካፈል ካለባቸው እያንዳንዳቸው ምን ያህል ያገኛሉ?

100 ብር

200 ብር

250 ብር

300 ብር

ሌላ (እባክዎ ይግለጹ

ጥያቄ 2 ወንድማማቾቹ የስጦታውን ድርሻ ለማግኘት ለአንድ ዓመት ያህል መጠበቅ ቢኖርባቸው ። በአንድ ዓመት ጊዜ ውስጥ የመግዛት አቅማቸው ምን ያህል ይሆናል፡-

ሀ) ተጨማሪ

ለ) ተመሳሳይ መጠን

ሐ) ዛሬ ሊገዙት ከሚችሉት ያነሰ

3፡ ለጓደኛህ/ሽ አንድ ቀን አመሻሹ ላይ 1000 የኢትዮጵያ ብር አበድረህ/ሽ በማግስቱ 1000 ቢሰትህ/ሽ። በዚህ ብድር ላይ ምን ያህል ወለድ ከፍሏል?

0

X 2X

ከ1000 በላይ

ሌላ (እባክዎ ይግለጹ)

4. 100 ETB በዓመት 2% የወለድ መጠን የቁጠባ ሂሳብ አስገብተሃል/ሻል እንበል። ወደዚህ አካውንት ምንም ተጨማሪ ገቢ አያረጉም እና ምንም ገንዘብ አያወጡም። የወለድ ክፍያ ከተከፈለ በኋላ በመጀመሪያው አመት መጨረሻ ላይ በሂሳቡ ውስጥ ምን ያህል ገንዘብ ይኖራል?

98 ብር

100 ብር

101 ብር

102 ብር

5. አምስት ዓመት መጨረሻ ላይ በሂሳቡ ውስጥ ምን ያህል ያህል ገንዘብ ይኖራል?

ሀ) ከ110 ብር በላይ

ለ) በትክክል 110 ብር

ሐ) ከ110 ብር በታች

መ) ከተሰጠው መረጃ መለየት አይቻልም

6፡ ከፍተኛ ገቢ ያለው ኢንቬስትመንት ከፍተኛ አደጋ የመጋለጥ እድሉ ከፍተኛ ነው።

እውነት

ሐሰት

7፡ ከፍተኛ የዋጋ ንረት ማለት የኑሮ ውድነት በፍጥነት እየጨመረ ነው ማለት ነው

እውነት

ሐሰት

8፡ ብዙ አይነት አክሲዮኖችን እና አክሲዮኖችን በመግዛት በስቶክ ገበያ ላይ ኢንቬስት የማድረግ አደጋን መቀነስ ይቻላል።

እውነት

ሐሰት

ክፍል ኢ፡ የፋይናንስ ውሳኔ አሰጣጥ

ለመንግስታዊ ያልሆኑ ድርጅቶች የፋይናንስ ውሳኔ አስፈላጊነት መጠይቅ

እባክዎን የቀረበውን ሚዛን በመጠቀም እያንዳንዱ የፋይናንስ ውሳኔ በ NGOዎ ውስጥ ያለውን አስፈላጊነት ያመልክቱ።

1. የበጀት ድልድል

o 1 (በጣም አስፈላጊ አይደለም)

o 2 (አስፈላጊ ያልሆነ)

o 3 (ገለልተኛ)

o 4 (አስፈላጊ)

o 5 (በጣም አስፈላጊ)

2. የኢንቨስትመንት ዓይነት (የገንዘብ አደጋ ደረጃ)

o 1 (በጣም አስፈላጊ አይደለም)

o 2 (አስፈላጊ ያልሆነ)

o 3 (ገለልተኛ)

o 4 (አስፈላጊ)

o 5 (በጣም አስፈላጊ)

3. የሚጠበቀው የገንዘብ ተመላሽ ወይም ገቢ

o 1 (በጣም አስፈላጊ አይደለም)

o 2 (አስፈላጊ ያልሆነ)

o 3 (ገለልተኛ)

o 4 (አስፈላጊ)

o 5 (በጣም አስፈላጊ)

4. ያለፈው የፋይናንስ አፈፃፀም

o 1 (በጣም አስፈላጊ አይደለም)

o 2 (አስፈላጊ ያልሆነ)

o 3 (ገለልተኛ)

o 4 (አስፈላጊ)

o 5 (በጣም አስፈላጊ)

5. በፋይናንስ ውሳኔዎች ላይ የሚዲያ ተጽእኖ

o 1 (በጣም አስፈላጊ አይደለም)

o 2 (አስፈላጊ ያልሆነ)

o 3 (ገለልተኛ)

o 4 (አስፈላጊ)

o 5 (በጣም አስፈላጊ)

6. የገንዘብ ስጋትን መከላከል

o 1 (በጣም አስፈላጊ አይደለም)

o 2 (አስፈላጊ ያልሆነ)

o 3 (ገለልተኛ)

o 4 (አስፈላጊ)

o 5 (በጣም አስፈላጊ)

7. ከባለድርሻ አካላት የገንዘብ ምክሮች ማካሄድ

o 1 (በጣም አስፈላጊ አይደለም)

o 2 (አስፈላጊ ያልሆነ)

o 3 (ገለልተኛ)

o 4 (አስፈላጊ)

o 5 (በጣም አስፈላጊ)

8. በፋይናንስ ውሳኔዎች ላይ የባለድርሻ አካላት (ለምሳሌ የቦርድ አባላት, ለጋሾች) ተጽእኖ

o 1 (በጣም አስፈላጊ አይደለም)

o 2 (አስፈላጊ ያልሆነ)

o 3 (ገለልተኛ)

o 4 (አስፈላጊ)

o 5 (በጣም አስፈላጊ)

10. መንግሥታዊ ያልሆኑ ድርጅቶች የሥራ ዘመን

o 1 (በጣም አስፈላጊ አይደለም)

o 2 (አስፈላጊ ያልሆነ)

o 3 (ገለልተኛ)

o 4 (አስፈላጊ)

o 5 (በጣም አስፈላጊ)

11. የከወናዎች ወይም ፕሮጀክቶች መልከዓ ምድራዊ አቀማመጥ

o 1 (በጣም አስፈላጊ አይደለም)

o 2 (አስፈላጊ ያልሆነ)

o 3 (ገለልተኛ)

o 4 (አስፈላጊ)

o 5 (በጣም አስፈላጊ)

12. የፋይናንስ እቅድ አድማስ

o 1 (በጣም አስፈላጊ አይደለም)

o 2 (አስፈላጊ ያልሆነ)

o 3 (ገለልተኛ)

o 4 (አስፈላጊ)

o 5 (በጣም አስፈላጊ)

13. የወጪ አስተዳደር

o 1 (በጣም አስፈላጊ አይደለም)

o 2 (አስፈላጊ ያልሆነ)

o 3 (ገለልተኛ)

o 4 (አስፈላጊ)

o 5 (በጣም አስፈላጊ)

APPENDIX C

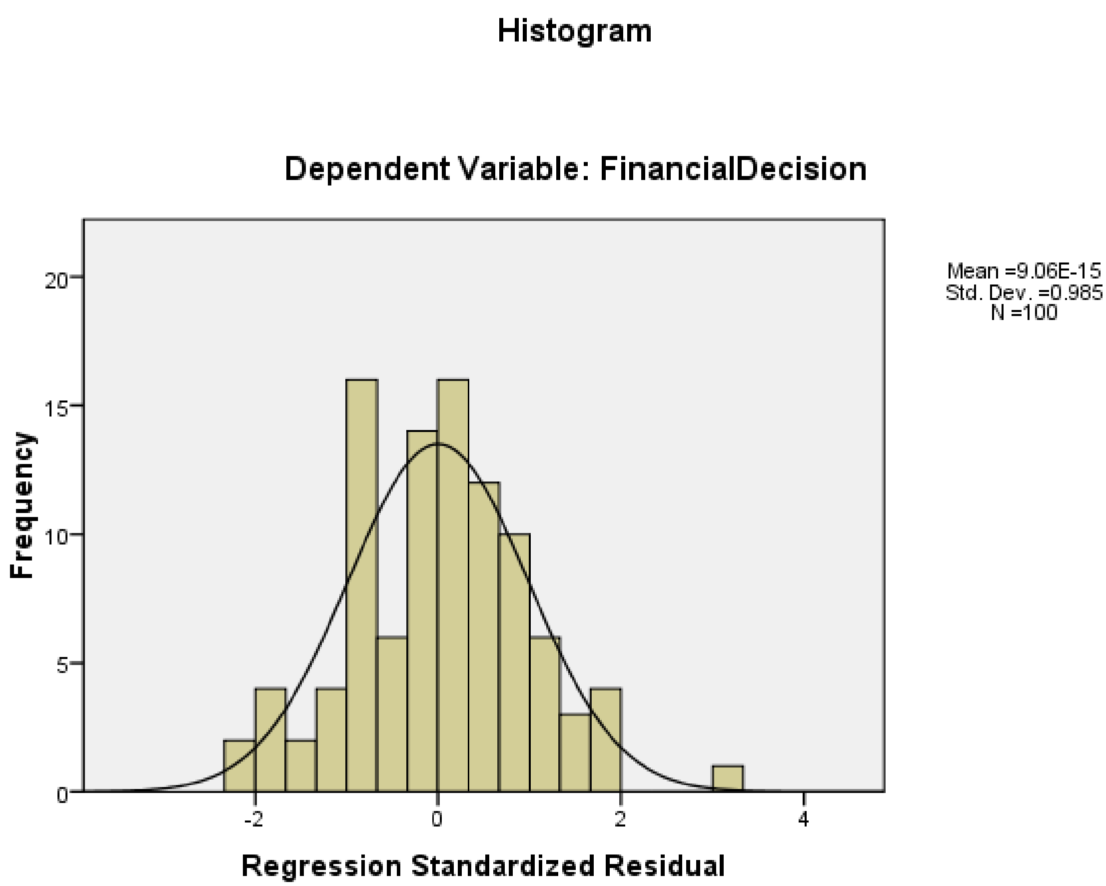

Figure 3 Histogram

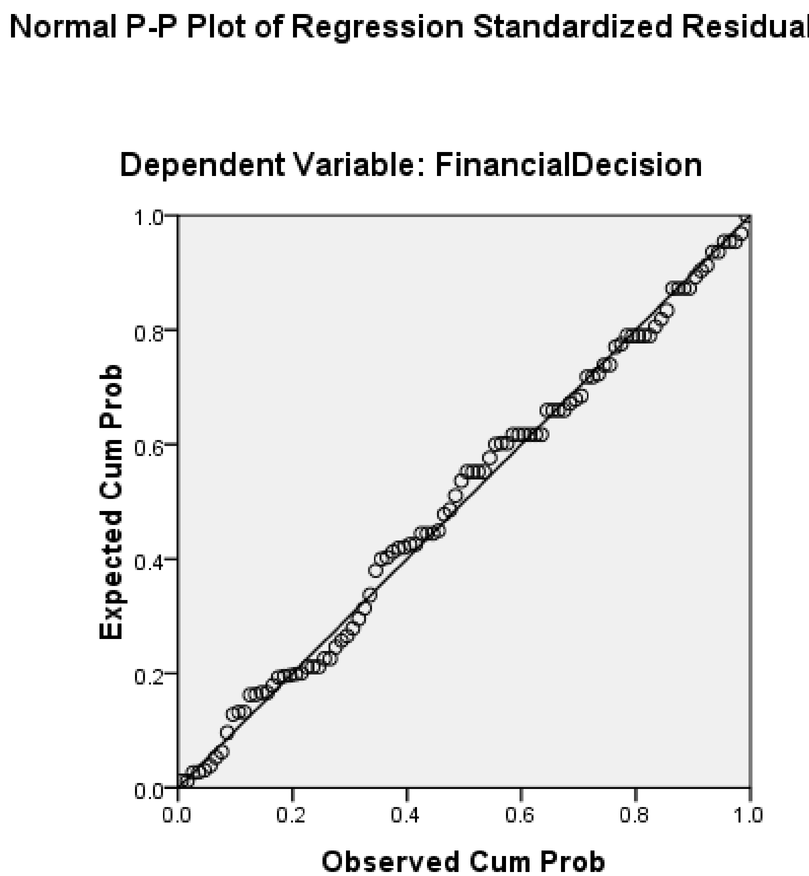

Figure 4 P-P Plot