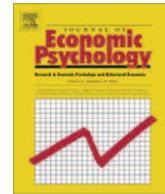




Contents lists available at ScienceDirect

Journal of Economic Psychology

journal homepage: www.elsevier.com/locate/joep



Confidence mediates how investment knowledge influences investing self-efficacy

James Forbes^{a,*}, S. Murat Kara^b

^aAngelo State University, Department of Psychology, Sociology, and Social Work, ASU Station #10907, San Angelo, TX 76909-0907, USA

^bAngelo State University, Department of Accounting, Economics and Finance, ASU Station #10908, San Angelo, TX 76909-0908, USA

ARTICLE INFO

Article history:

Received 2 May 2008

Received in revised form 6 October 2009

Accepted 27 January 2010

Available online 6 February 2010

JEL classification:

D03

D12

D14

PsycINFO classification:

2100

2223

2340

3900

3920

Keywords:

Knowledge

Confidence

Investing self-efficacy

Investor education

ABSTRACT

A comprehensive investment literacy questionnaire surveyed potential sources (viz., knowledge, confidence) of investing self-efficacy in a large sample of working adults. As expected, the effect of investment knowledge on belief in one's future capability of orchestrating a plan to achieve investment goals was mediated by confidence. Overall, employees' applied investment knowledge accuracy was low: 57%. In general, investment knowledge was reliably related to confidence. However, confidence and investment knowledge accuracy were completely independent for 9 of 21 items, implying an inability to inhibit poor investment decisions or an inability to exploit investment opportunities. A policy of required investment training could be implemented so as to not impede individuals' freedom of choice, which would likely help the truly uninformed to become more informed and ultimately successful investors.

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1. Introduction

Few domains of knowledge have the potential to be so literally enriching as investing. Yet, as is the case for most topics falling under the rubric of personal finance, investing knowledge is a cognitive accomplishment for which, like language, most people receive no direct formal instruction. Unlike language, where universal acquisition is the norm, most adults fail to acquire competency in investment knowledge (e.g., Benish, 1998; Landstrom, 1995). Previous studies have surveyed the stock market knowledge and stock holding of adults in general (e.g., Bertaut, 1998), revealed gender differences in financial literacy (e.g., Goldsmith, Goldsmith, & Heaney, 1997; Kirchler & Hubert, 1999), and examined how financial expertise affects investing decisions (e.g., Hershey, Walsh, Read, & Chulef, 1990). For the present study, an original investment literacy questionnaire was developed to evaluate working adults' applied investment knowledge, as well as their self-reported level of

* Corresponding author. Tel.: +1 325 942 2068.

E-mail address: james.forbes@angelo.edu (J. Forbes).