



## Investigation of the Relative and Increasing Influence of Commercial, Economic and Financial Literacy on Professional Success of Managers in Ansar Bank Branches in Shiraz City

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### ABSTRACT

The main goal of the present research is to investigate the relative and increasing impact of financial, economic and commercial literacy on managers' professional success. Statistical population of the research included all managers of Ansar Bank branches all over Shiraz City. Research sample included 100 people. A standard questionnaire was used for data collection. Research hypotheses involved presence of significant relationships between financial, economic and commercial literacy and professional success of managers which were analyzed by regression test. Results of analyses revealed that financial and commercial literacy had significant impacts on professional success of managers but economic literacy did not have any influence on their professional success. Further, ANOVA test was used to investigate the impact of demographic variables like age, educational qualification and working experience on commercial, financial and economic literacy and managers' professional success. Results showed that education and working experience did not influence commercial literacy and professional success but did influence on financial and economic literacy.

**KEYWORDS:** financial literacy, commercial literacy, economic literacy, professional success, Ansar Bank

### INTRODUCTION

Today, investigation of different factors which increase efficiency and productivity in different private or public organizational activities has become so important that it has received a lot of attention by management experts and commentators. Iranian industries require managers who have enough business literacy (commercial, financial and economic literacy) and intelligence in their specialized area. Therefore, managers' success in doing so is dependent on different factors which can ensure optimal growth and development in different levels. Statistics published by different public organizations in Iran reveal that productivity and efficiency coefficient is higher in industries with managers who have entrepreneurial thoughts and high levels of intelligence, as compared to that of managers who lack such features (Sajjadi, 2002, 45). On the other hand, it seems necessary to pay attention to factors which affect managers' success and therefore planners and decision-makers should identify such factors exactly and pave the way for managers' success.

Commercial literacy involves understanding financial, economic and market-related concepts which is necessary for managers and entrepreneurs. This area of knowledge is usually absorbed as a result of living in an economic context. In the present competitive business environments, it is important to identify factors affecting managers' success and their respective organizations. Identification of such factors paves the way for purposeful decision-making and makes it easy to take appropriate actions. On the other hand, organizations and institutes can consider these factors and compare them with that of similar organizations in international and national levels in future and promote them continuously.

As need for well-educated and trained workforce is increasing, need for business literacy becomes more and more important. Private sector is pioneer in identification of this need and has tried to respond to it via meritocracy (Steven et al, 2006, 2). Based upon the above discussion, the present research aims to investigate the relative and increasing influence of financial, commercial and economic literacy on managers' professional success. Therefore, the main question of the research is: how financial, economic and commercial literacy influence managers' professional success?

### Research theoretical background

Results of an analysis of personal financial literacy among students showed that participants answered about 53% of the questions. Individuals who study non-business majors, women, weak students and students below 30 years old who have little working experience have lower levels of knowledge. Students who have less knowledge prefer to insist on their ideas and make wrong decisions. Therefore, it can be concluded that students

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have low financial knowledge and low level of knowledge restricts their conscious decision-making power (Walp and Chin, 1998). Burnheim, Gart and Macki (2001) and Brenheim and Gart (2003) showed that those who receive financial education in high schools or working environments can save businesses (Bernheim and Garth, 2003). Walker (2005) conducted studies on two (several) samples using two or more methods in order to compare the impacts of different methods (Walker, 2005: 45). Welips and Tomas (2006) investigated 802 people who were present in financial literacy meeting and showed that the participants preferred practical learning method to other methods and emphasized that addressees characteristics must be noticed when teaching (Welips and Tomas, 2006: 13). OECD (2005) and Mitchell (2007) reviewed financial literacy all over the world and found that financial illiteracy is a common characteristic of many developed countries including European countries, Australia and Japan (Lusardi and Mitchell, 2007: 27). Results of a research titled "economic literacy: an international comparison" reveals that there is a considerable disharmony in financial and economic abilities in countries and that human capital index (PISA test scores and presence at university) was positively related to economic literacy. Moreover, citizens of countries with more generous social security systems are generally more illiterate economically and motivation for achieving economic literacy is related to accessible resources for private saving (Jepeli, 2010).

Relationship between financial literacy and participation in stock market was investigated in a research. Results showed that most respondents had basic financial knowledge and some of them understand concepts like compound interest, inflation and temporal value of money. However, few participants knew other concepts. Many respondents did not know about differences between bonds and stocks, relationship between bonds prices and interest rate and risk diversification principles (Maarten et al, 2011: 450). Lusardi and Mitchel conducted a research titled: financial literacy and planning: concepts for retirement health". They showed that financial illiteracy is more common in women, old Americans, minorities and those who had not received enough education. Further, results showed that those who have financial understanding stress more on formal methods like retirement accounts, retirement seminars, and finance experts rather than family relationships for their successful planning. These are consequences for financial education attempts (Lusardi and Mitchel, 2011).

### **Financial literacy**

Financial literacy is defined as having knowledge and understanding of financial issues. In order to promote financial literacy, financial education should deal with financial subjects like salary, use of credit cards, families budgeting, loans, and investment in stock market. Financial education and qualitative information are key elements of financial literacy (Lusardi and Mitchel, 2007, 14). Welips and Tomas (2006) investigated 802 people who were present in financial literacy meeting. They showed that participants prefer practical learning method to other methods and believe that addressees' characteristics should be considered when teaching (Welips and Tomas, 2006, 13).

### **Approaches to improvement of financial literacy**

There are two important perspectives in behavioral economy. Differences in the two perspectives have direct impacts on financial literacy and financial education (Altman, 2008). Both perspectives deny the assumption of traditional economy in which individuals act rationally. Behavioral economy challenges this traditional assumption which says an environment in which financial decisions are made is necessarily utopic (Altman, 2012: 45). OECD (2005) and Mitchell (2007) reviewed financial literacy all over the world and found that financial illiteracy is a common characteristic of many developed countries including European countries, Australia and Japan (Lusardi and Mitchell, 2007: 27).

### **Economic literacy**

It is defined as having basic information about economy. Every person should be able to recognize what makes his or her (organization) economic status worse or better and plan for it. Results of studies show that inequity is low in countries with economically-literate people. Furthermore, financial progress is negatively related to income inequity only when economic literacy neutralizes it. Economy influences everything. All people are amateur economists in their work environment or homes. Shortage is a reality in life and economy discusses understanding of selections and balance between rare resources. Dal, 1988; Kaplan, 2001 and 2002 showed that it is unlikely to have smart policies in democracy when a large number of voters suffer economic illiteracy. The main activity of modern governments is determination of economic policies. This means determination of services provided by government and services submitted to private sector, and the fact that how free is foreign commerce and what regulations should be imposed (Kaplan, 2001: 54).

### **Commercial literacy**

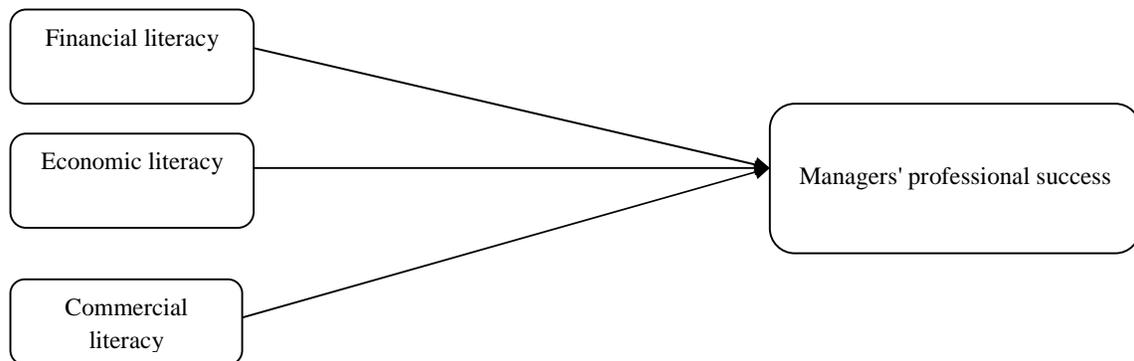
Commercial literacy which includes commercial and non-commercial (military and not-for-profit) uses refers to a wide range of applications and technologies used for collection of data and knowledge in order to analyze a firm and make smart and exact commercial decisions. Commercial literacy is formed based on a firm's

architecture and analyzes commercial data and helps adopt smart and exact decisions within the framework of OLAP. If commercial literacy concept is not understood and conveyed correctly, this increases managers' expectations abruptly and non-satisfaction of such expectations results in loss of confidence. This is because commercial literacy looks only for minimizing search paths in information and it is not able to provide recommendations without need to appropriate information and independently. In the present era, time is the main key in commerce and companies use information instruments in order to be able to extract necessary information rapidly. Commercial literacy plays an important role in decision-making in different levels of an organization especially senior manager levels (Hadiyan, 2009: 59).

### Professional success

One of the reasons for having many different definitions for success is different conceptions of this concept. There are many people who consider themselves as successful because of achieving their goals but their achievements may be considered as valueless from other people's viewpoints. There are also some people who feel successful but when they deeply think about it they find that their achievement is not a real success they thought of. Therefore, success is something relative and does not have a unique definition (Austin, 1976: 124). It can be said that success means having valuable things such as relative welfare in life, respect, self-esteem at work and in society, being free from worries, frustration and failure. Success is the goal of our lives. Every human wants to be successful and wants the best things one can have in his or her life. The first and best station in success way is putting oneself in the rank of those who want to be successful. Success is a steady flow in which we look for more and more achievements. In fact, success path is always being constructed. Success is going on in a path and not achieving an ending point (Hoseini, 2009: 48).

### Research conceptual model



### Research hypotheses

- Hypothesis 1: commercial literacy influences professional success of Ansar Bank managers in Shiraz City.
- Hypothesis 2: economic literacy influences professional success of Ansar Bank managers in Shiraz City.
- Hypothesis 3: financial literacy influences professional success of Ansar Bank managers in Shiraz City.

## RESEARCH METHODOLOGY

The present research is an applied research in terms of its target and its method is descriptive correlation. Data were collected from 1<sup>st</sup> January 2012 to the end of February 2013. Statistical population of the research included all managers in Ansar Bank branches all over Shiraz City. Morgan table was used for estimation of sample size. 100 managers of Ansar Bank branches in Shiraz City were selected by means of simple random sampling. A standard questionnaire was used for data collection. Cronbach's alpha was used for investigation of reliability of the questionnaire. To this end, 30 questionnaires were distributed as a pretest. Since Cronbach's alpha was calculated greater than 0.7, the questionnaire is of acceptable reliability.

### Data analysis

Considering the normality of data, parametric methods were used for analysis. One-way variance analysis (ANOVA) was therefore used for investigation of difference between three groups or more (demographic variables). Further, Scheffe paired test was used for paired comparison of groups mean and multiple regression analysis with hierarchical approach was used for measuring the relative and increasing influences among variables.

### Normality test

Kolmogrov-Smearnov test was used for investigation of normality of data distribution. Normal distribution of data was investigated in 0.95 certainty distance.

**Table 1: results of normality test**

	Commercial success	Economic success	Financial literacy	Managers' professional success
number	100	100	100	100
Z statistic	1.109	1.201	1.338	1.127
Sig.	.171	.077	.056	.158

Considering the results of Kolmogrov-Smearnov test, normality hypothesis of data is not rejected in 95% certainty levels. Therefore all variables of the research have normal distributions.

### Hypotheses tests

In order to investigate the relative and increasing influence of commercial, economic and financial literacy on professional success of managers, multi-step regression analysis with hierarchical approach was used over three steps. Professional success of managers is the dependent variable and independent variables include commercial, economic and financial literacy.

**Table 2: mode summary**

model	R	Determination coefficient	Adjusted determination coefficient	Estimation standard error	Change statistics					Durbin-Watson statistic	ANOVA	
					Variation determination coefficient	F variation	Degree of freedom 1	Degree of freedom 2	Variation F significance level		F	Sig. level
1	.253	.064	.054	.24474	.064	6.630	1	97	.012		6.630	.012
2	.278	.077	.058	.24426	.013	1.383	1	96	.243		4.020	.021
3	.416	.173	.147	.23242	.096	11.030	1	95	.001	1.723	6.637	.000

**Table 3: regression coefficients**

model		Non-standard coefficients		Standard coefficients	t	Sig. level	Colinearity statistics	
		B	Standard error	Beta			tolerance	VIF
1	(Constant)	2.992	.176		16.972	.000		
	Commercial literacy	.007	.003	.253	2.575	.012	1.000	1.000
2	(Constant)	2.779	.253		10.993	.000		
	Commercial literacy	.007	.003	.244	2.484	.015	.994	1.006
	Economic literacy	.003	.003	.116	1.176	.243	.994	1.006
3	(Constant)	2.424	.263		9.213	.000		
	Commercial literacy	.006	.003	.207	2.200	.030	.980	1.020
	Economic literacy	.002	.003	.085	.909	.366	.985	1.015
	Financial literacy	.007	.002	.314	3.321	.001	.975	1.025

a. dependent variable: managers' professional success

In order to investigate increasing influence of commercial, economic and financial literacy on professional success of managers, commercial literacy variable was inserted into the model first. Considering t statistic value (2.575) and significance level (0.012), and because absolute value of t statistic is smaller than table value (96.1) and significance level is smaller than 0.05, commercial literacy influences professional success of managers. In the second step, economic literacy variable was added to the model. Considering the significance level of F test for determination coefficient variations (0.243) and t statistic value (1.176) and significance level of economic literacy variable which is greater than 0.05, it can be said that economic literacy does not influence professional success of managers.

In the third step, financial literacy was added to the model. Considering significance level of F test for determination coefficient variations (0.001) and t statistic value (3.321) and significance level of financial literacy which is smaller than 0.05, it can be said that financial literacy influences professional success of managers. Further, determination factor shows that only 17% of variations in the dependent variable can be explained and predicted by independent variables. Furthermore, Durbin-Watson statistic is close to 2 which are indicative of randomness of remainders. Considering the coefficients of regression line equation, significance level of financial literacy variable (0.001) and significance level of commercial literacy (0.030) which is smaller than 0.05, it can be said that the coefficients of financial literacy and commercial literacy variables are significant in (0.95) significance level in regression equation. In order to investigate relative influence, standard

coefficients of financial literacy (0.314) and commercial literacy (0.207) reveal that they had the greatest influences on professional success of managers respectively. Colinearity statistics also reveal that the highest value of VIF statistic belongs to financial literacy (1.025) and is less than 5. Therefore, there is no colinearity. Now we investigate model hypotheses.

Hypothesis 1: commercial literacy influences professional success of managers of Ansar Bank branches in Shiraz City.

**Table 3.first hypothesis analysis**

Standard coefficient	Significance level	T statistic	coefficient
0.207	0.030	2.200	0.020

Considering the absolute value of t statistic (2.200) which is greater than table value (1.96) and also significance level (0.03) which is smaller than 0.05, H<sub>0</sub> is rejected and we can say that commercial literacy has a significant impact on professional success of managers of Ansar Bank branches in Shiraz City and impact size is equal to 0.207.

**Table 4.second hypothesis analysis**

Standard coefficient	Significance level	T statistic	coefficient
0.085	0.366	0.909	0.010

Considering the absolute value of t statistic (0.909) which is smaller than table value (1.96) and also significance level (0.366) which is greater than 0.05, H<sub>0</sub> is not rejected and we can say that economic literacy does not have a significant impact on professional success of managers of Ansar Bank branches in Shiraz City.

**Table 5.third hypothesis analysis**

Standard coefficient	Significance level	T statistic	Coefficient
0.314	0.001	3.321	0.037

Considering the absolute value of t statistic (3.321) which is greater than table value (1.96) and also significance level (0.001) which is smaller than 0.05, H<sub>0</sub> is rejected and we can say that financial literacy has a significant impact on professional success of managers of Ansar Bank branches in Shiraz City and impact size is equal to 0.314.

## RESULTS

Regression test was used to investigate the increasing impact of commercial, financial and economic literacy on managers' professional success. It was found that commercial literacy influences professional success of managers. Furthermore, results of F test revealed that economic literacy does not influence professional success of managers.

Finally, F test results showed that financial literacy does influence on professional success of managers. Moreover, it can be said that only 17% of variations in dependent variable can be predicted but independent variables. Results of Durbin-Watson test also supported randomness of remainders.

Additionally, coefficients of regression equation showed that financial and commercial literacy had the highest influence on professional success of managers, respectively.

Considering t test results, commercial and financial literacy have significant influence on professional success of managers in Ansar Bank branches in Shiraz City. Therefore, the first and the third hypotheses are supported. However, economic literacy did not show any significant influence on professional success of managers. Therefore, the second hypothesis is not supported.

### Recommendations

Since the results of analyses revealed that financial and commercial literacy influence professional success of managers of Ansar Bank, managers of Ansar Bank and Banking industry in general are advised to improve their employees and their own financial and commercial literacy. The followings can be used to improve their financial and commercial literacy.

Items like organizational infrastructures or organizational culture play important role in improvement of commercial literacy. In order to succeed in implementation of a commercial literacy system improvement in an organization, some cultural issues should be changed because these play important role in productivity of such systems. Some items like an organization's understanding of information and innovation which must be a part of commercial activity in organization and organizational attitude towards information and innovation cannot be found in software packages but they must be considered within infrastructural layers of an organization (Hoseini, 2010, 87). Spreading productive investment culture and familiarization of people with capital market and securities market and different investment opportunities can be considered as the beginning of this way.

This can be done in a cooperation of mass media, educational institutes, organizational of stock market, brokers and other financial institutes by planning, designing strategies and division of work and cost.

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