

DISSERTATION PROPOSAL

**TITLE: The Impact of Financial Literacy on Investment Decisions: Evidence from
Brokerage Firms in Dhaka, Bangladesh**

**MODULE: LCMB7035 – DISSERTATION
MASTER OF BUSINESS ADMINISTRATION (MBA)**

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1. Introduction

1.1 Background of the Study

The capital market of Bangladesh have experienced steep jumps and drops in recent years (Rahman, 2021). New, small investors pile in when prices are high, only to suffer massive losses as prices fall. A good portion of these investors are relying on rumours, social media tips, or crowd psychology rather than careful analysis. This frequently results in overtrading, inadequate diversification and panic selling that ultimately lower household savings and trust in the formal financial sector (Raut, 2020). In such a situation financial literacy (FL) could contribute to better investment decision making.

In this study, FL refers to the capacity to comprehend and employ fundamental concepts like risk and return as well as diversification and time value of money when considering or making corporate finance resolutions (Sabri & Afiah, 2016). Better-informed clients are more likely to be in a position to evaluate opportunities, appreciate the risk and contemplate their long-term goals. The low literacy ones tend to move with the herd, erratic price pattern not in keeping with the long-term interest and under-diversified portfolios (Hasanuh & Putra 2020). For a developing country such as Bangladesh, efficient investment decisions is significant for individuals and the overall economy, as the capital market plays crucial roles in business expansion and employment generation (Adil et al., 2022).

1.2 Research Aim and Objectives

The study aims to examine impact of FL on effective investment decisions. To achieve this aim, the proposed study will pursue the following objectives:

1. To measure the level of FL among active brokerage clients in Dhaka.
2. To test the direct effect of FL on the quality of investment decisions.
3. To examine whether investment strategy and risk management mediate this relationship.
4. To determine how much of the variation in investment decisions can be explained by literacy, strategy and risk practices.
5. To generate practical recommendations for investor training and financial education.

1.4 Research Questions

The following research questions will guide the study:

- How will FL influence individual investors' decision-making in Dhaka's brokerage firms?
- To what extent will FL improve investment strategy and risk management practices?
- How will these practices mediate the relationship between FL and investment decision quality?

1.5 Rational of the Study

Despite the increasing availability of studies on FL and investment decision-making, most of the literatures focusing on theoretical knowledge or intermediary processes like strategy construction and risk management. The impact of FL on investment decision were rarely studied. And those studies mostly focus on the direct relationship (Khan, 2016). In addition, most of the studies conducted from the perspective developed nations, and there are few on emerging markets such as Bangladesh, where FL and regulatory environments are not similar to developed countries is limited (Nguyen et al., 2019). Finally, relatively less empirical work has been done on the behavioural aspect of investing with respect to emotions management and reduced bias in 'investing' within South Asia (Hadi, 2017). Through examination of these distinctive processes, the proposed study will provide insights into how FL in general can be converted to safer and wiser investment decisions. Thereby, it will also suggest training modules that are particularly useful to local investors and brokers, as well as institutional policy-, making agents.

2. Literature Review

2.1 Financial Literacy (FL) and Investment Decisions

FL is typically framed as the ability to understand basic financial concepts and apply them in real life, for example when saving, borrowing or investing. Individuals with greater FL are able to compare products, including by evaluating risk and making more deliberate financial decisions whereas individuals with lower levels of FL usually resort to guesswork or guidance from friends (Abdeldayem, 2016).

Research in various countries found that FL is associated with superior investment outcomes. Educated investors are more likely to read things, consider all the options and eschew packing risk. On the other hand, under-literate investors are more prone to rumours, tips and irrational decisions, which may result in losses and weakening of confidence on organized markets (Raut,

2020; Adil et al., 2022). This trend indicates that enhancing FL can enable small investors in Bangladesh to take sound and stable investment decisions.

2.2 Investment Goals, Strategy and Risk Management

FL is not only about knowing facts, it also shapes how investors plan and manage their money over time. Investors who are able to articulate concepts such as compounding and time value of money are more likely to have formed clear goals and implemented a long-term plan rather than traded ad hoc (Amisi, 2012). Clarity of goals encourages disciplined conduct (e.g. adherence to investing budget, reviewing performance or unwarranted speculation).

Investment approach is similarly limited by FL. Literate investors can better assess what type of assets meet their individual risk attitude and financial needs, and are more likely to invest in different sectors or asset classes (Senda et al., 2020). This form of strategizing can help limit the impact of market gyrations.

Risk is an integral part of this process. Investors who know more about finance generally comprehend the risk–return trade-off, apply diversification and use simple instruments to protect their capital such as position limits or stop-loss rules (Waheed et al., 2020). In markets such as those in Bangladesh, where prices of securities are swayed by sentiment and rumour rather than fundamentals some of these practices might be especially relevant to the relatively small investors who have no capacity to absorb huge losses

2.3 Behavioural Biases and the Role of Literacy

Behavioural finance literature has documented that investors frequently mistake on account of biases, such as herd behaviour, overconfidence and loss aversion. These biases may cause over-trading, chasing hot stocks or panicking to sell during market plunges (Khalid et al., 2018). There's some evidence that FL may mitigate the effects, by making people more thoughtful and reflective before they make a trade. Sophisticated investors are less prone to execute based solely on the crowd and more likely to trust in information and analysis. This study is not to investigate every bias directly rather to see whether higher FL is associated with stronger investment strategy and risk management.

2.4 Research Gap

Overall, prior work supports a positive link between FL and investment behaviour. Yet there is still limited evidence on how literacy improves decision quality, especially through strategy and risk management, and most studies come from developed markets (Nguyen et al., 2019; Waheed et al., 2020). There is also little empirical research on retail investors in Bangladesh, who operate in a more volatile and information-poor setting. This study will address these gaps by examining both the direct effect of FL on investment decision quality and the indirect effects through investment strategy and risk management among brokerage clients in Dhaka.

3. Methodology

3.1 Research Design

The research will employ a quantitative, cross-sectional design to analyse the influence of FL on investing decisions among individual investors in Dhaka. This approach facilitates the examination of the links among literacy, investment strategy, risk management, and decision quality at a singular moment in time. The study will use Partial Least Squares Structural Equation Modelling (PLS-SEM) to analysis the data. This method is appropriate as it work well for complicated models and mediation analysis with small to medium samples (Hair et al., 2021).

3.2 Population and Sampling

The target population consists of investors who execute trades via licensed brokerage firms in Dhaka and Savar, Bangladesh. We will utilize a non-probability convenience sampling method because it is the best way to find investors who are willing and able to take part. The study will seek to gather data from approximately 150 respondents, sufficient for PLS-SEM, adhering to the standard requirement of a minimum of ten cases per indicator associated with the most intricate construct (Sekaran and Bougie, 2019).

3.3 Data Collection Procedures

Primary data will be collected using a structured questionnaire distributed both in online. The researcher will visit selected brokerage firms in Dhaka to invite investors via Google Forms link through investor networks and social media groups. Before completing the survey,

respondents will see a short information statement explaining the purpose of the study and their right to refuse or withdraw.

3.4 Instrument Design and Measurement

The questionnaire will be based on scales used in earlier studies of FL and investment behaviour. It will include items on:

- Financial Literacy (FL): basic financial knowledge and self-reported financial education or exposure.
- Investment Strategy (IS): planning, analysis and disciplined execution of investment decisions.
- Risk Management (RM): risk awareness, diversification and downside protection.
- Investment Decision Quality (ID): perceived quality, consistency and alignment of decisions with financial goals.

Demographic questions such as age, gender, income, education level and investment experience will also be included. The draft questionnaire will be pilot tested with a small group of investors to check clarity and length and then refined.

3.5 Data Analysis Techniques

After data collection, responses will be screened and descriptive statistics will be produced in SPSS. The main analysis will be carried out in SmartPLS 4. First, the measurement model will be assessed for reliability and validity. Second, the structural model will be tested by estimating path coefficients, explained variance and the significance of direct and indirect effects using bootstrapping. This process will show whether FL has a significant direct impact on investment decisions and whether investment strategy and risk management act as mediating variables.

3.6 Ethical Considerations

All ethical standards will be strictly followed throughout the research. Participants' anonymity will be preserved, and the data will be used solely for academic purposes. Informed consent will be obtained before participation, and the researcher will comply with the university's ethics policy. No financial incentives will be provided, and participants will be free to withdraw at any time.

4. Expected Findings

Based on the literature, it is expected that FL will have a positive and significant effect on investment decision quality among investors in Dhaka. Investors with higher literacy levels are likely to make more informed, consistent and goal-oriented decisions than those with lower literacy (Raut, 2020; Adil et al., 2022). The study is also expected to find that investment strategy and risk management partly explain this relationship, as literate investors plan more carefully, diversify their portfolios and manage risk more actively (Senda et al., 2020; Waheed et al., 2020).

5. Limitations

The proposed study has several limitations. First, the cross-sectional design will capture information at a single point in time, so it cannot fully prove cause and effect. Second, the use of convenience sampling means that the results may not represent all investors in Bangladesh. Third, self-reported survey data may suffer from bias, as some investors may overstate their knowledge or decision skills. Finally, FL is a broad concept, and the chosen measures may not capture every aspect of real-world financial capability.

6. Timeframe

The proposed dissertation will be completed over a period of approximately four months, beginning on 7 November 2025 and ending on 3 February 2026. The table below presents the planned activities and their corresponding durations in a Gantt chart format.

TABLE 1: DISSERTATION TIMELINE

Activities	Nov-25	Dec-25	Jan-26	Feb-26	Duration
Proposal approval and initial feedback					7–15 Nov
Comprehensive literature review and framework development					16 Nov – 10 Dec
Questionnaire design and pilot testing					11–20 Dec
Data collection (brokerage firms + online survey)					21 Dec – 10 Jan

Data cleaning and statistical analysis (SPSS & SmartPLS)					11–25 Jan
Draft writing and supervisor feedback					26 Jan – 2 Feb
Final editing, proofreading, and submission					03-Feb

7. CONCLUSION

This study aims to investigate the role of FL on investment decisions based on data collected from the individual investors in brokerage houses of Dhaka. A quantitative design would be used for the study with a cross-sectional data and PLS-SEM analysis to investigate the extent to which FL impact on the quality of investment decisions directly, via the nuance of investment strategy and risk management. The anticipated results are expected to extend knowledge on how FL transforms into improved financial behaviour and may help provide practical directions for investor education in Bangladesh. Although the findings of the study are limited in terms of design and sampling, it is hoped that it can provide useful evidence for investment personnel, brokerage firms or policy makers in building a more informed capital market.

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