

Money in dialogue: How financial conversations turn financial literacy into investment readiness among urban youth in Tanzania, a partial least squares structural equation modeling (PLS-SEM) approach

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ABSTRACT

Although there is growing interest in enhancing financial inclusion in Sub-Saharan Africa, there is minimal youth involvement in investments, and this presents a glaring need gap in the economic empowerment of youth. It is crucial to understand how financial literacy can be translated into investment readiness, particularly in situations where investment opportunities and formal financial education are not evenly distributed, as is the case in Tanzania. Driven by the social learning theory, this research focused on the impact of financial literacy on the investment readiness of urban youth, placing much emphasis on the importance of financial socialisation as a mediator variable. A quantitative cross-sectional methodology, whereby the survey population consisted of the youth (aged 18-35) in Dar es Salaam, Arusha and Dodoma, was selected. Data were gathered using a stratified random-sampling technique on 387 respondents using a structured questionnaire and analysed using partial least squares structural equation modelling (PLS-SEM). It was found that financial literacy has a consistent prediction on financial socialisation and investment readiness. Financial socialisation was also found to have a significant direct impact on investment readiness and partially mediated the link between financial literacy and investment readiness, with the results supporting complementary mediation. These results point to the notion that financial literacy, in isolation, is less effective unless complemented with social processes of peer communication, family dynamics, and media. The paper finds that investment readiness is the result of cognitive and socially mediated learning. Suggested interventions include incorporating financial literacy into schools, establishing youth-led financial groups in schools and higher education institutions, providing youth-related financial training to parents and other community stakeholders, and developing youth-friendly investment products by financial institutions and fintech innovators. Together, these interventions have the potential to bridge the gap between financial literacy and real-life investment actions, which in turn would help achieve financial inclusion in Tanzania.

Keywords: Financial Literacy, Financial Socialisation, Investment Readiness, PLS-SEM, Tanzania

I. INTRODUCTION

In an uncertain and rapidly changing financial climate, financial literacy has become an essential life skill. This is particularly true for young people preparing for a life of financial independence. Financial literacy is defined as the knowledge and ability to apply financial knowledge and skills such as budgeting, investing and personal finances. A lot of it has to do with financial health and socioeconomic mobility (Lotto, 2020). In countries such as Tanzania, a large proportion of young people have few opportunities to access financial education and formal financial services. As a result, financial literacy is no longer an individual skill. It is also on the national policy agenda. The advancement of financial literacy among youths encourages them to be prepared for investment and capable of making good financial decisions as well as contribute to economic development (Koomson et al, 2023).

Financial literacy shapes financial socialisation. This process consists of learning financial behaviours, values and attitudes from family, peers, schools and media (Redson & Magali, 2022). It establishes what kind of financial information young people get and how they interpret and use that information. Financial socialisation is the process that translates financial knowledge into action. This is an important step towards developing investment readiness, which combines psychological confidence and the skills needed to make investment decisions (Koomson et al. 2023). Although theoretical connections have been developed between these variables, there has been limited research work on triadic relationships, particularly in the context of Sub-Saharan Africa. It has been indicated that higher financial literacy is associated with more adequate financial behaviors (Isaga, 2025) and that well-socialized young people have a greater likelihood of internalizing financial knowledge and applying it to actions (Redson & Magali, 2022). But there is scanty information on the modes through which socialisation affects readiness to invest, particularly in the young population of the low- and middle-income countries. A recent systematic analysis also discovered the lack of geographical diversity

in financial literacy research, with most studies originating in Asia and Europe, leaving Africa contexts unexplored (Kazungu & Njau, 2023).

The Tanzanian situation echoes these international trends. National strategies to enhance financial inclusion, including mobile money and agency banking, though important, do not increase formal financial literacy, especially in the younger generations (Isaga, 2025). As a result, a significant proportion of young Tanzanians are financially inaccessible to investment options such as pensions, stocks, or insurance, further cementing their cycles of poverty and economic precariousness (Kazungu & Njau, 2023). This paper helps to fill a number of gaps in the literature. It addresses how financial literacy relates to investment readiness and also examines the mediating effect that financial socialization has on the relationship between financial literacy and investment readiness. Investment readiness is a topic that has been proposed theoretically but is not yet well studied empirically. Second, it is geographically oriented to the region, which is the Tanzanian youth that is often left out of the global financial behaviour studies. Third, the study contributes to an understanding of investment readiness, which is a recently developed, less researched concept in the field of financial behaviour, fitting together both psychological readiness and practical capability. Fourth, Social Learning Theory forms the basis of the study and acts as a behavioral perspective to understand how social relations influence financial competencies and their use. Besides, it integrates new theories of financial literacy adoption, which put an accent on perceived usefulness and subjective norms, which fit well into the idea of readiness as a socially constructed phenomenon (Koomson et al., 2023; Lotto, 2020). With these in mind, the study makes several contributions. In practice, it produces statistics on an underrepresented but very relevant group, youth. Theoretically, through social learning theory, it empirically extends the body of knowledge on the financial literacy and financial socialization to investment outcomes. In practice, it guides policy and educational interventions that can be used to exploit financial socialization processes to influence the translation of financially prepared and investment-ready youth.

1.1 Research Objectives

- i. To determine the direct effect of financial literacy on investment readiness among the young people of Tanzania.
- ii. To analyse the link between financial literacy and financial socialization, that is, how financial knowledge, attitude and behaviour lead to youth financial involvement in conversations with family, peers and media.
- iii. Investigating whether and how financial socialization affects youth readiness to invest, identifying the importance of social interactions in youth preparation to invest.
- iv. To explore the mediating effect of financial socialisation on the link between financial literacy and investment readiness, ascertaining whether social processes convert financial information, attitude/behaviour to practical investment readiness.

II. LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Social Learning Theory

It is based on the Social Learning Theory (Bandura, 1977) which states that people are also taught behaviors, skills, and attitudes by observing what people around them do. The theory emphasizes reinforcement, observation, and imitation, which signifies that behavior is socially and cognitively reconstructed. When applied to financial behavior, it means that, although financial literacy can provide youths with a certain level of knowledge, they remain largely dependent on social contexts, like family discussions, peer networks, and enabling media exposure, in the transfer of that knowledge into investment readiness (Gudmunson & Danes, 2011; Shim et al., 2023; Xiao, 2016).

Financial socialization in this study is the process whereby literacy is transformed into readiness. It reflects that financial confidence, trust, and behavior standards are influenced by social conditions (Danes & Yang, 2014; Grohmann et al., 2018). Therefore, based on the Social Learning Theory, it is hypothesized that financial literacy affects investment readiness directly and indirectly through socialization phenomenon (Jorgensen & Savla, 2010; Amagir et al., 2018; Stolper & Walter, 2017).

2.2 Empirical Review

2.2.1 Financial Literacy and Investment Readiness

It is commonly believed that financial literacy can be one of the primary influencers of investment behaviour. Literate people are always more confident when making financial decisions and they are more prepared to invest. As an example, recent data indicate that financial education programs among low-income youth had substantial positive effects on knowledge and intentions to use financial and investment products (Amagir et al., 2018). In a comparable vein, Grohmann et al. (2018) noted that financial literacy promotes the critical analysis of a variety of financial products, thus giving people a better ground to make informed financial decisions and becoming more prepared to invest.

In the Sub-Saharan region, it has been shown that financially literate citizens are more likely to use formal financial products, such as savings and investment platforms (Koomson et al., 2023). In Tanzania in particular, researchers found that when households become more financially literate, their investment choices move away toward more formal investments in individual accounts, farming, and personal enterprise (Lotto, 2020). Nonetheless, other research demonstrates that knowledge is not enough as self-control and overconfidence moderate the relationship between financial literacy and the desire to invest in the real world (Stolper & Walter, 2017; Algarni et al., 2024). Altogether, the evidence indicates that financial literacy is a necessary but not sufficient component of investment readiness.

H₀₁: Financial literacy is positively associated with investment readiness among youth.

2.2.2 Financial Literacy and Financial Socialization

In addition to the direct ways that financial literacy can influence investment, it impacts the financial socialization as well. A more literate youth would stand a better chance of broaching any financial-related topics of discussion, sharing of knowledge on a more even footing with their counterparts and involvement in family financial decision making. To provide an example, the recent research indicates that financially literate young people are involved in household budgeting, which is one component of the family setting their financial habits (Algarni et al., 2024). On the same breath, research on financial capability projects suggests that digital financial literacy allows youths to become change agents in the family, who affect financial conversations and influence cross-generational data transfers (Lusardi et al., 2021; Amagir et al., 2018). This is what is referred to as reverse socialization, with youths, often being the first generation financially literate people, teaching their parents or their neighbours. This is rather applicable to Tanzania, where the formal financial education has been rather scant, but young people who have become exposed to mobile banking or fintech can have an impact on the entire households (Lotto, 2020; Koomson et al., 2023). It is clear that financial literacy, in addition to developing personal skills, enhances social avenues of learning.

H₀₂: Financial literacy is positively associated with financial socialization among youth.

2.2.3 Financial Socialization and Investment Readiness

Financial socialization is a term used to describe the process of learning about financial values, attitudes, and practices through socialization in a family, interpersonal relationships, schools, and media. Some studies support its relevance in the determinant of investment readiness. Specifically, recent studies demonstrate that the long-term financial and investment intentions of young adults are considerably defined by the influence of families (Algarni et al., 2024; Amagir et al., 2018). The maladaptive family experiences, e.g., financial debt or lack of trust towards financial institutions, can also transfer the risk-averse trait that limits investment readiness (Grohmann et al., 2018; Lusardi et al., 2021).

Socialization serves as the most important alternative in Tanzania where formal financial education is not widely available. In Sub-Saharan Africa, the youth who are exposed to finance-favourable peer networks are more willing to learn about savings and investments than those who are isolated (Koomson et al., 2023). Media exposure is also becoming a greater factor, and digital platforms and influencers are affecting how young people view financial success and the culture of investment (Algarni et al., 2024).

H₀₃: Financial socialization is positively associated with investment readiness among youth.

2.2.4 Mediating Role of Financial Socialization

Although financial literacy equips individuals with knowledge that is vital in determining their investment behaviour, recent studies point to the fact that it is financial socialization that is a determinant of whether or not financial literacy knowledge is converted into investment behaviour. As an example, systematic reviews point to the need to reinforce financial literacy by subjective norms and social interaction in order to alter financial behaviour (Amagir et al., 2018; Stolper & Walter, 2017). Empirical research also shows that in a communal setting, financial decision-making is heavily moderated by family trust and peer validation, indicating the direction towards social learning processes (Algarni et al., 2024).

This pathway is of particular importance to Tanzanian youth because they are culturally focused on family and peer relationships. The financially literate youths are likely to get information regarding investment, yet are not prepared to invest until such a time when they are socialised into places where investment is the norm. In contrast, socially compromised youths might not be financially literate but investment-willing (Koomson et al., 2023). Therefore, financial socialization serves as a mediator, which explains the link between financial literacy and the investment results.

H₀₄: Financial socialization mediates the relationship between financial literacy and investment readiness among youth

2.3 Conceptual Framework

Financial literacy is the independent variable, and investment readiness is the dependent variable in this study among the urban youth in Tanzania. Based on the Social Learning Theory, the framework contends that financial literacy transforms the youth with knowledge and skills relating to the ability of sound decision-making, which directly impacts their confidence and readiness to invest. Knowledge however might not be enough until it is buttressed by financial socialization that is interactions with family, peers and media that influence attitudes, trust and norms of financial behaviour. Therefore, financial literacy can directly and indirectly affect investment readiness by way of the financial socialization, so the effective investment readiness is a combined effect of both cognition and the social construction of learning.

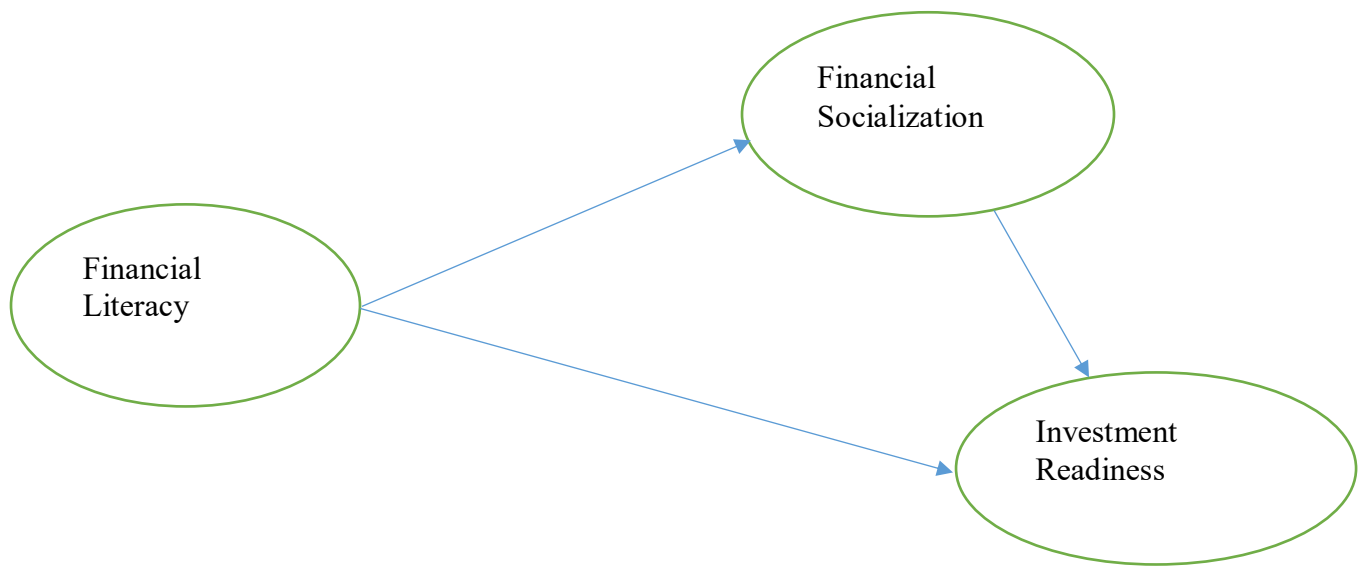


Figure 1
Conceptual Framework

III. METHODOLOGY

3.1 Research Approach and Design

This research paper follows a deductive research design based on a quantitative, cross-sectional research design. This is because it attempts to verify theory-based hypotheses about the mediation effect of financial socialisation in the linkage between financial literacy and investment readiness. The quantitative approach is the most suitable to measure latent constructs and statistically analyse the relationships (Hair et al., 2022; Sarstedt et al., 2022). This design is especially effective in measuring changes in a target group at a point in time as well as testing hypotheses with structural models (Ringle et al., 2020).

3.2 Study Area and Population

This research was conducted in three large cities of Tanzania: Dar es Salaam, Arusha and Dodoma. The choice of these cities was based on their economic activity, a relatively large number of young people and more favourable access to financial services and digital platforms. Such cities are core areas where financial inclusion programs can be most successfully implemented, and young people can be more exposed to formal and informal financial systems (Financial Sector Deepening Trust [FSDT], 2019; World Bank, 2021).

The respondents, who were youth aged 18 to 35 years, were included in the study population in accordance with the definition of youth by the Tanzanian government in the National Youth Development Policy (United Republic of Tanzania [URT], 2020). This cohort was chosen because it represents the demographic that is at the beginning of financial adulthood and is increasingly exposed to investment options through digital platforms, peer networks, and new fintech offerings (Lotto, 2020; Koomson et al., 2023).

The sample size was varied with regard to socio-economic and educational backgrounds. The sample has covered both university students, early-career professionals and youth in the informal sector. The information was gathered using a mixed method; online surveys, which were shared on social media and online university portals, and face-to-face interviews, which were conducted in youth centers and urban centers. Such a mixed-mode approach was selected to increase response rates and accessibility, especially among digitally active youth and those with limited access to the internet (Saunders et al., 2019; Creswell & Creswell, 2023).

The heterogeneous population distribution provided the opportunity to analyze the functioning of financial literacy and socialization mechanisms of diverse urban youth groups in Tanzania and present the theoretical and practical value of the financial inclusion and young investment readiness intervention (Grohmann et al., 2018).

3.3 Sampling and Sample Size

A multistage stratified random sampling method was used to achieve representativeness and reach among the urban youth groups. In the initial step, three large urban areas were chosen intentionally to be dense in youth and penetration of financial services: Dar es Salaam, Arusha, and Dodoma (FSDT, 2019; World Bank, 2021). In these cities, a cross-section was taken by stratifying youth based on level of education, employment status, and gender. Random sampling was used within each of the strata to decrease the sampling bias (Saunders et al., 2019).

The data were collected using a mixed method of data collection, which included online questionnaires (via Google Forms, WhatsApp, university websites, etc.) and physical distribution in youth centres and educational institutions. This has been done to make it more available and reachable, especially to younger people who might not have access to the Internet, yet are engaged in the offline space financially (URT, 2020; Creswell & Creswell, 2023).

The sample has been calculated according to the recommendations of Partial Least Squares Structural Equation Modeling (PLS-SEM): 10 observations per indicator or 200-300 observations in the models with latent constructs (Hair et al., 2022). With this guideline, and given the complexity of the model (three constructs and four hypotheses), a sample of 400 youth respondents was planned to obtain statistical power, model reliability, and generalizability (Sarstedt et al., 2022).

The total count of the final valid responses was 387, which is high enough to obtain a high response rate and fulfil the mediation analysis thresholds in PLS-SEM. Screening of completeness and normality of the data were conducted before analysis (Ringle et al., 2020).

3.4 Data Collection Methods

In this study, a structured self-administered questionnaire was used to collect data to measure Tanzanian youth financial literacy, financial socialization and readiness to invest constructs. The questionnaire has been developed based on the conceptual framework of the study and validated instruments applied in past studies. The questions based on the Likert scale, multiple choice financial literacy tests, and behavior intention scale were created to be accurate and comparable between respondents (Lusardi & Mitchell, 2014; Gudmundson & Danes, 2011).

A dual-mode data collection strategy was adopted in order to reach and be as inclusive as possible. The questionnaire was initially distributed using the online platform via WhatsApp groupings, Telegram channels, and on social media. This was particularly effective with digitally active youth and students. Second, the administration was conducted in person in specially selected youth facilities in urban areas, colleges and public venues such as libraries and community halls in Dar es Salaam, Arusha, and Dodoma. This approach was employed to help us capture young people who lack access to internet data and also to make the sampling frame more diverse (FSDT, 2019)

3.5 Data Analysis

Preliminary screening and cleaning of the collected data were performed to guarantee quality and readiness to analyze them statistically. This involved the detection of duplicates, outliers and incomplete responses. A total of 400 allocated questionnaires, 387 were reported to be complete and valid, which means no missing information since all necessary-response settings in the online questionnaire and close monitoring were applied. Partial Least Squares Structural Equation Modeling (PLS-SEM) run in SmartPLS 4.0 software was used to analyze the data that had been cleaned (Hair et al., 2022; Sarstedt et al., 2022).

The analysis was done in a 2-stage process. The first one was Measurement Model Evaluation. This consisted of the evaluation of the reliability and validity of the constructs. Indicators were considered in terms of internal consistency reliability (Composite Reliability) and convergent (Average Variance Extracted-AVE) and discriminant (HTMT ratio) validity, which are recommended (Hair et al., 2022; Henseler et al., 2015).

The second stage was the Structural (Path) Model Evaluation. Once the measurement model had been validated, the structural model was tested to address direct and indirect effects between financial literacy, financial socialization and investment readiness. Path coefficients, R^2 values and effect sizes (f^2) were obtained. To gauge the importance of indirect effects, the mediation effect of financial socialization was evaluated by the bootstrapping method with 5,000 resamples (Ringle et al., 2020; Sarstedt et al., 2022).

IV. FINDINGS & DISCUSSION

4.1 Descriptive Statistics

The research was done on 387 young people in the urban areas of Tanzania. The number of males and females was comparatively equal, and 54.52% and 45.48% of respondents were male and female, respectively. The average age was 26.3 years (SD = 4.7), which indicates a young population at the national youth range of 18 to 35 years.

Regarding the level of education, most of them had an undergraduate degree (44.19%), followed by diploma holders (28.43%). A lower proportion had finished secondary school (11.63%) or had gone for postgraduate studies (15.75%). The general conclusion of this educational dispersion is that the sample was fairly well educated and capable of understanding financial concepts that would have been of relevance in the study.

As to employment status, the highest proportion was students (38.24%), then came employed (34.89%), and self-employed youth (18.35%), with the remaining 8.52% not employed. This distribution indicated that most respondents were already in the labour market or were about to be in the labour market, which also aligns with the purpose of the study on financial literacy and investment readiness.

Table 1
Demographic Profile of Respondents (N = 387)

Variable	Category	Frequency	Percent
Gender	Male	211	54.52%
	Female	176	45.48%
Age (years)	Mean (SD)	26.3	(4.7)
	Range	18–35	
Education Level	Secondary	45	11.63%
	Diploma	110	28.43%
	Undergraduate	171	44.19%
	Postgraduate	61	15.75%
Employment Status	Student	148	38.24%
	Employed	135	34.89%
	Self-employed	71	18.35%
	Unemployed	33	8.52%

4.2 Measurement Model

4.2.1 Measurement Model Assessment

Reliability and validity of the reflective measurement model were measured according to the criteria of Hair et al. (2022). In order to test the reliability of the indicators, all indicators were tested on standardized factor loadings. Loadings were all above the recommended 0.70 level and ranged between 0.844 and 0.945 in value, thus establishing good indicator reliability and representation of the construct.

Both Cronbach's alpha and composite reliability (CR) were used to confirm internal consistency reliability. All constructs had a CR of greater than 0.70, which is considered a sufficient internal consistency. In particular, Financial Literacy reported $\alpha = 0.967$ and a CR = 0.974, Financial Socialization = 0.927 and CR = 0.948, and Investment Readiness = 0.879 and CR = 0.917. These values imply that the indicators were always relevant in quantifying their respective latent constructs (Hair et al., 2022).

The Average Variance Extracted (AVE) was used to determine convergent validity. All of the constructs passed the AVE criteria of 0.50, with the financial literacy, financial socialization constructs and investment readiness constructs having AVE scores of 0.883, 0.820 and 0.734, respectively. This implies that the latent variables accounted for over 50 percent of the variance in the respective indicators, hence high convergent validity (Hair et al., 2022).

In case of discriminant validity, the Heterotrait-Monotrait ratio of correlations (HTMT) was used as it is more sensitive than conventional ratios such as the Fornell-Larcker criterion. The entire set of HTMT calculations was found to be lower than the conservative 0.90 threshold, which confirmed that all constructs are empirically different in the model (Hair et al., 2022). This overall analysis indicates that the measurement model has adequate psychometric qualities, and the structural model relationships can be interpreted validly in the analysis that follows.

Table 2*Measurement Model Results*

Latent Variable	Indicator	Loading	AVE	Composite Reliability	Cronbach's Alpha	HTMT < 0.90
Financial Literacy	FL1	0.943	0.883	0.974	0.967	Yes
	FL2	0.934	-	-	-	-
	FL3	0.933	-	-	-	-
	FL4	0.944	-	-	-	-
	FL5	0.945	-	-	-	-
Financial Socialization	FS1	0.910	0.82	0.948	0.927	Yes
	FS2	0.900	-	-	-	-
	FS3	0.913	-	-	-	-
	FS4	0.899	-	-	-	-
Investment Readiness	IR1	0.846	0.734	0.917	0.879	Yes
	IR2	0.844	-	-	-	-
	IR3	0.876	-	-	-	-
	IR4	0.859	-	-	-	-

4.3 Structural Model**4.3.1 Structural Model Results**

The structural model was tested to measure the direct hypothesized relationships among the latent variables Financial Literacy (FL), Financial Socialization (FS) and Investment Readiness (IR). The bootstrapping process was repeated 5,000 times and the path coefficients, T-statistics and p-values were generated following the recommendation of Hair et al. (2022).

Hypothesis H1 which posited that financial literacy has an influencing positive role in financial socialization was supported. The path coefficient between FL and FS was $\beta=0.328$, $T= 5.882$, $p\text{-value} < .001$. This is a moderate statistically significant effect,

Hypothesis H2 hypothesized that financial literacy has a positive effect on investment readiness was also confirmed. The path FL to IR had a coefficient of $\beta = 0.370$, $T = 6.234$, $p < .001$. Hypothesis H3 that tested the link between financial socialization and investment readiness was highly supported. The connection between FS and IR had a strong coefficient of $\beta = 0.586$ and $T\text{-value} = 9.134$, $p\text{-value} < 0.001$. These findings reveal that all the hypothesized direct relationships in the model were statistically significant and positively directed as expected thus, supporting the theoretical framework on which the study is based.

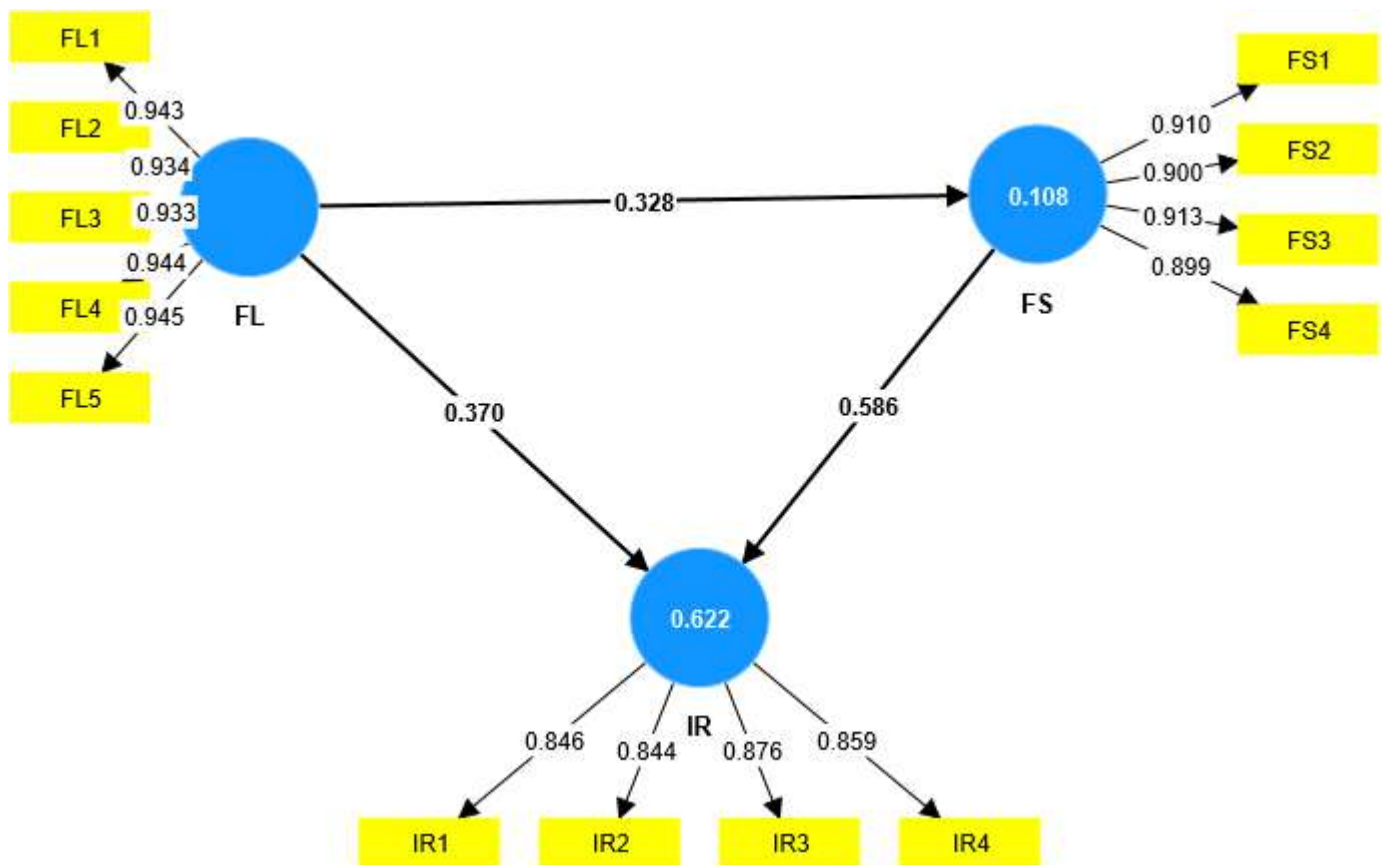


Figure 2
Path Model Results

The results of the structural model are summarized in the table below. All hypothesized relationships were statistically significant at $p < .001$ based on 5,000 bootstrap samples.

Table 3
Summary of Direct Effects

Path (Hypothesis)	β (Path Coefficient)	T-Statistic	p-Value	Decision
FL → FS (H1)	0.328	5.882	<.001	Supported
FL → IR (H2)	0.370	6.234	<.001	Supported
FS → IR (H3)	0.586	9.134	<.001	Supported

4.3.2 Mediation role of financial socialization

The mediation effect of financial socialization (FS) in the relationship between financial literacy (FL) and investment readiness (IR) was tested by a 5,000-resample bootstrapping analysis. The findings are shown below.

Table 4
Mediation Results

Path	Effect Type	β (Effect Size)	T-Value	p-Value	Mediation Decision
FL → FS → IR	Indirect	0.192	6.756	<.001	Significant mediation
FL → IR (direct, with mediator)	Direct	0.370	11.835	<.001	Remains significant

The indirect path between financial literacy (FL) on the investment readiness (IR) through the financial socialization (FS) was significant statistically ($\beta = 0.192$, $T = 6.756$, $p < .001$). The direct impact of financial literacy (FL) on investment readiness (IR) was also significant ($\beta = 0.370$, $T = 11.835$, $p < .001$). Hair et al. (2022) denote that such a pattern represents complementary partial mediation in which the direct and indirect paths are significant and both are directed in the same direction. Thus, these results confirm Hypothesis H4, that financial socialization (FS) is a complementary mediating factor in the link between financial literacy (FL) and investment readiness (IR) among the youth population.

4.4 Discussion

This study supports the conceptual framework that financial literacy and financial socialization are the primary predictors of investment readiness among young people, especially in developing economies such as the Tanzanian economy. All of the hypotheses were accepted, providing both theoretical and empirical evidence as to the nature of relationships between cognitive and social variables in the formation of youth financial behavior.

The financial literacy and financial socialization relationship is positive, and it shows that the acquisition of knowledge allows individuals to engage more actively in financial discussions with their parents, peers, and media. This is in line with the Social Learning Theory that opines that knowledge improves the ability to model and internalize social behaviors (Bandura, 1977; Gudmundson & Danes, 2011). Earlier literature has also found that financially literate people tend to increase their likelihood of participating in peer learning and shaping household financial conversation (Algarni et al., 2024). In places where young people tend to learn about financial topics officially, this result suggests a possible reverse socialization process, in which the youth affect their families and their peers (Lusardi et al., 2021).

The direct impact of financial literacy on investment readiness supports the importance of knowledge as a determining factor of financial behavior. This is in line with a study that identified that digital financial education not only enhances literacy but also attitudes and behaviour towards investing among poor young people (Amagir et al., 2018; Stolper & Walter, 2017). These results back the cognitive-behavioral perspective that investments are made, in part, rationally through one's knowledge of financial concepts. It is also observed in the study that literacy is not the only determinant of readiness to invest; other supporting factors are psychological or social in nature (Grohmann et al., 2018).

The high impact of financial socialization on investment readiness supports the notion that informal learning sources, family norms, peer influences, and media exposure have a central role in determining financial behavior. This is especially so in developing settings, where formal financial education is less than robust, and young people depend largely on the observed actions. New findings demonstrate that financial well-being is improved when people are integrated in financially literate social worlds and when they are involved in household financial decision-making (Algarni et al., 2024). This observation demonstrates the importance of considering the role of factoring in social contexts on financial behavior models and shows that classroom training can never be doubled to achieve financial outcome enhancement.

Finally, the validated mediating role of financial socialization between financial literacy and investment readiness provides a more detailed explanation of the transformation of knowledge into action. This result confirms the perspective that even when basic knowledge is available, behavioral intention and capability are socially constructed. The complementary partial mediation finding shows that financial literacy has a direct and indirect effect on investment behavior, as it is able to create the financially enriching environment of socialization. This reflects new findings that successful financial behavior is an outcome of a combination of cognitive and contextual elements (Sarstedt et al., 2022; Koomson et al., 2023).

V. CONCLUSION & RECOMMENDATIONS

5.1 Conclusion

This paper aimed to investigate the impact of financial literacy (FL) on investment readiness (IR) among youth in urban Tanzania with a specific focus on the mediating role played by financial socialization (FS). The research was informed by Social Learning Theory, which suggests that knowledge is not the only factor that affects behaviour, but that it is also affected by observation, interaction and reinforcement in social situations. The study drew a number of significant conclusions that are both theoretical and practical in nature.

First, the results confirm that financial literacy has a direct impact on increasing investment readiness. Higher levels of literacy in youth were associated with higher confidence and preparedness in, and willingness to engage in investment activities. This result emphasizes the importance of knowledge as a prerequisite for rational financial behavior and shows that literacy is still one of the most important determinants for investment-relevant decision-making.

Second, the study concludes that financial literacy also helps build stronger financial socialization. Literate youth were found to be more engaged in financial conversations with their family, friends, and through media outlets. This explains that financial literacy is not only an individual capability issue but a social phenomenon, which can impact the broader social context and help shape financial conversations and awareness at a societal level. In this way, literacy also functions as a social resource that generates dialogues and collective learning. Third, the results indicate that financial socialization does have a notable impact on investment readiness. Young people who have embedded themselves in positive social contexts, defined by positive family role models, peer groups, or exposure to financial media, are more likely to translate their knowledge into real investment behaviors. This suggests that the willingness to invest is not a process that emerges in isolation but rather is cultivated through engagements with others that influence attitudes, trust, and norms.

Fourth, the study found that financial socialization is a partial mediator in the relationship between financial literacy and investment readiness. In other words, while financial knowledge is a direct factor in preparedness, it is when bolstered by social mechanisms that foster confidence and normalize investment behavior that the financial knowledge effect is amplified. Socialization thus becomes the mechanism through which cognitive understanding is translated into behavior, so that knowledge is not theoretical but is put into practice.

Taken together, these findings show that investment readiness among Tanzanian youth is not a mere product of financial literacy per se but emerges from the synergy between knowledge and socially institutionalized learning. The study concludes that effective financial empowerment strategies must therefore combine cognitive and social aspects if young people are to be adequately prepared to invest. These findings have important policy, educational, and practice implications, particularly in settings where financial inclusion is uneven and where young people constitute a key demographic for economic transition.

5.2 Recommendations

Based on the results of this study, the main recommendations are: Policy makers, education authorities, financial institutions, and other stakeholders who aim to improve the investment readiness of youth in Tanzania may benefit from the following: First, it is argued that financial education must be formally developed into national curricula at the secondary and tertiary levels. Such education shouldn't be confined to theoretical know-how but should incorporate an experiential component (e.g. budgeting activities, simulation of savings and investment plans, etc.) and exercises in the application of financial products. By integrating these practices into the educational system, young individuals will not only have a solid understanding of financial concepts but also possess the confidence and knowledge necessary to apply them in real-world scenarios.

Second, the study suggests the construction of community-based financial literacy and investment readiness programs that specifically focus on out-of-school youth and those in informal employment. These programs can be conducted via youth clubs, community-based organizations and religious institutions using written material in both English and Swahili. Such interventions would help to bridge the gap for those young people who may not benefit from a formal education but remain active participants in the formal financial space.

Third, providers of financial products and services, whether financial institutions or fintech providers, are encouraged to develop and promote financial and investment products that are youth-friendly. These solutions need to be low-cost, flexible, and complemented by an education product to remove the mystique of investment. For example, step-by-step instructions, streamlined interfaces, and interactive features can be integrated into mobile-friendly platforms that empower younger individuals to learn while engaging. By lowering barriers to entry, these types of programs could help young people translate financial literacy into actual investment behavior. Fourth, schools, universities and training institutions are encouraged to organise peer-led financial clubs and mentorship programmes. All of these platforms would provide an opportunity for mature youth to share their knowledge with their peers, creating a more positive environment for role modelling and encouragement. Such social networks can help amplify the impact of financial literacy through the creation of a culture of investment readiness that is supported by learning and peer mentoring. Fifth, parents and other guardians have to be actively involved in financial education programs. Intergenerational financial planning programs and family-based trainings may help to reinforce financial literacy and investment readiness within families, so that financial discussions can continue at home. This is especially important in Tanzania, where families are still at the centre of decision-making and financial behaviours are affected largely by the attitudes of parents.

Finally, media and digital media should be used to encourage proper financial socialization. Stakeholders can create youth-friendly materials for example, short videos, testimonial stories, gamified challenges and social media campaigns that normalize conversations around saving and investing. These tools can help to make financial education more relatable and accessible, while also helping to fight against misinformation that tends to circulate through digital channels.

In summary, the key recommendations are that youth financial empowerment is a multidimensional issue that must be addressed from a more comprehensive perspective. Formal school-based knowledge acquisition must be supplemented by outreach to the community, responsive products from banking institutions, peer and family involvement, and creative use of the media. Taken together, these approaches can help to bridge the gap between financial literacy and investment readiness, thereby contributing to more inclusive financial and economic transformation in Tanzania more generally.

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