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The role of investors' objective financial knowledge on the assessment of risk disclosures in mix mutual funds advertisements in Iran (The evidence of mutual funds in Iran)

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ABSTRACT

Financial literacy of investors reduces uncertainty on future decisions and increases predictability of investment policies in financial markets. Thus, the lack of clear information on financial markets is a determining factor in the arrival of domestic and foreign capitals and their quick exit in case of crisis. The lack of transparency and basic knowledge on decisions and failure to provide regular information in order to meet the reasonable expectations force the private firms to increase the flexibility of asset values and investments by further investigation of their expectations and expect higher risk for their investments. Therefore, the main objective of this study was to examine the role of financial literacy of investors in evaluating the risk disclosure of promotion mix by mutual investment funds in Iran. The population of this study included 120 mutual investment funds in Iran; the sample size (384) was calculated by the Krejcie -Morgan table. Data was collected by field studies using interviews and questionnaires, including financial literacy of investors and risk disclosure of promotion mix by investment funds, as well as archival studies. Construct validity was used to determine the validity of the questionnaires, which were validated. Cronbach's alpha was used to determine reliability. Finally, data was analyzed by SPSS software. The results show that financial literacy of investors influences the risk disclosure of promotion mix by mutual funds in Iran. The financial literacy of investors reduces uncertainty of future decisions and increases predictability of investment policies in financial markets. Moreover, financial literacy of investors leads to predictable risk and return among those who are interested in investment in Iranian mutual funds

Keywords:

Financial Literacy of Investors, Risk Disclosure, Promotion Mix, Mutual Investment Funds, Mutual Investment Funds in Iran

1. Introduction

Two main factors approach the investment to 100% success in different markets; the first is major capital, and the second is the knowledge and expertise. These two factors are philosophy of financial and credit institutions called as mutual funds worldwide. These are institutions similar to banks. They collect small funds from around the world and invest in their specialized fields; this investment usually leads to profit, which belongs to both the company and the investor (Wikipedia, 2015). Although the formation of investment funds dates back to the eighteenth century in UK, the first modern investment funds were established in 1924 in Boston. Since 1924, investment funds in the world, especially in America, have successfully developed their activities; during the past years, the number of funds has continued to rise from 51,671 in 2000 to 66350 in late 2007. This can be considered a good criterion to attract investors and their success in the capital markets (Securities and Exchange Organization, 2010). Accordingly, to determine the success of these mutual investment funds requires considering the amount of capital owned by the fund to act in the market by which the relative primary share of that fund is determined. Then, a knowledge base and various expertises which are considered as the main properties of the fund are defined to follow the general and specialized subjects in the management of the first factor mentioned above, i.e., major capital.

2. Literature Review

2.1. Definitions and Concepts of Knowledge Management

In the era of communication and information technology, knowledge is considered as a fundamental and critical source of organizations to achieve sustainable competitive advantage. Shifting from industry-based economy to knowledge-based economy, organizations have had to rely on the knowledge and information and use it in their businesses to increase competitiveness (Ansari-Renani & Qasemi-Nameghi, 2009). Therefore, experts have presented numerous definitions which are different in their views and focus on a certain factor (O.Dell, 1996).

Table (1): Definitions and Concepts of Knowledge Management

Row	Name of researcher	Definitions and Concepts of Knowledge Management
1	Jones (2005)	Integrated and systematic approach to identifying, managing and sharing all intellectual property, including databases, documentation, procedures, policies and practices in mind.
2	Danrom (2005)	Systematic and targeted use of some criteria for organization tangible and intangible knowledge assets for using knowledge within and outside the organization to create new knowledge, value creation, innovation and improvement.
3	O Dell (2000)	A systematic approach to finding, understanding and using knowledge to create value
4	Smith (2003)	A mechanism to create a work environment in which knowledge and expertise can be easily distributed and it is the condition that knowledge and information can be provided to people at the right time so that they can be more effective and efficiency.
5	Choo (2005)	A framework for applying the structures and processes at the individual, group, organization in order that the organization can learn from what he knows and, if necessary, to gain new knowledge to create value for customers and stakeholders. Such a framework consolidates people, processes and technology for sustainable development practice together.
6	Beckman (2004)	Mechanism for access to the expertise, knowledge and experience that will provide new capabilities and enhanced performance, cause, encourage innovation and enhance stakeholders' desired value
Source: Ansari Renani, Ghasemi Nameghi, 1388, pp.2-20.		

2.2. Nonaka & Takeuchi Knowledge Management Model (SECI)

Two Japanese researchers named Nonaka & Takeuchi presented a model to describe the four processes required for the creation and use of knowledge in the organization. These four processes are socialization, externalization, combination and internalization. Organizational knowledge content is effective on the four processes in both implicit and explicit (Wiig, 1997:6-14). In the process of socialization, they must communicate with each other face to face. In the process of externalizing, individuals reveal their tacit knowledge through the mental patterns and words reveal. Trust and confidence are two needed conditions for successful conduct of this process. The group revealed knowledge has been given to the organization in the process of combining and finally in the process of internalization, tacit knowledge becomes explicit knowledge and new knowledge will be institutionalized. Knowledge creation as a process of Spiral is gained from interactions between explicit knowledge and tacit knowledge (Nonaka & Takeuchi ,1995: 122-126).

2.3. The Financial Literacy

One of the reporting challenges is the relevance and usefulness of the information that companies have provided. By changing the nature of business environment to competitive economy and changing sources of value creation, the usefulness of traditional reporting has changed and it is proven that competition in the new economy is based on knowledge-based assets like human knowledge, innovation, technology and information. (Campel & Abdul Rahman,2010) . In recent decades, intellectual capital as knowledge-based capital has attracted considerable attention. Although the importance of intellectual capital in today's competitive market, always are increasing, but most organizations are facing a lot of problems because of ignoring the effect of intellectual capital, because the intellectual capital has been hidden due to the nature and characteristics of the company(Maditinos et al,2011). Research has shown that the source of economic value is not only superior products, but a distinct intellectual capital (Dianati-Deylami & Ramezani, 2013).

A study performed by live Science in 2007 indicated that the majority of Americans hate their jobs and that this level of dissatisfaction is the greatest it has been during the past 20 years. This is a concerning statistic considering how much time most of us spend working. Consider how much of most lifetimes are spent working. If someone works 40 hours a week for 50 weeks per year with a 30-minute commute each way and sleeps eight hours per night, sleeping and working consumes approximately 62 percent of that person's entire year! With such little remaining personal time, choosing a career that you do not enjoy can have a devastating effect on your level of happiness (Robert E. Lawless., 2010, p: 2).

Accordingly, people can follow the ways for optimization of their time in order to achieve their goals in the community. One of the strategies is increasing of financial literacy to individuals, who can help to achieve a favorable economic situation.

American Institute of Certified Public Accountants (AICPA) has defined financial literacy as the ability to evaluate and effective management of personal finances for rational decisions in order to achieve life goals and achieve good financial situation (Delaune et al.2012). Despite the obvious importance of financial literacy, many people do not tent to promote their own financial literacy. Evidence suggests that many people are unable to understand the elementary financial concepts (Ashraf-Ganjouei & Naebzadeh, 2014). Generally, people have scores in financial literacy and they are not able to understand the financial instruments (Meier., 2012). The role of people in financial markets increasingly has been became more active. Participation in market have been Accompanied with the advent of new market and financial services. However, some of these products are complex and difficult for investors who have less financial insight. In the meantime, market liberalization and structural reforms for social security and civil rights has caused to change the decision making from government to the private sector (Rooij et al.,2012). Thus, the promoted financial literacy not only prevents the negative effects in financial markets, but also helps to improve corporate governance. Professional consumers are expected to look for efficient markets, the accurately monitor the companies, identify effective providers and ignore companies which are uncertain, indifferent or incompetent to meet consumer needs (Ashraf-Ganjouei & Naebzadeh, 2014).

Therefore, an effective education is essential in efficient markets and the important company. However, lack of financial literacy is not only among non-professional investors. Although the higher level staff agencies are implicitly expected to have this capability, But the recent financial crisis suggests that the risks of investment in new financial products, is not understood by professional investors and company (Bay et al.,2012).

2.4. Mutual Fund

Open-end funds and closed-end funds are the same in managing portfolio for investors. However, investors need to buy and sell shares of closed-end funds in the stock exchange and trade the shares by paying transaction costs, while the investment units are only redeemed by the mutual investment funds and the fund is required to redeem the units at the price declared at the end of the day; the surety helps the fund in funding redemption of investment units. With regard to closed-end funds, supply and demand of shares determines the price of shares in the market; in most cases, the market value is the difference from the net asset value (NAV). In investment funds, the price per unit of shares is determined at the end of the day after closing the stock exchange trading floor and determining NAV (Saidi et al., 2010).

While Randall et al (2003) used the net cash inflow (to issue investments units) and cash flow outflow (to redeem investments units) to mutual funds to measure market sentiment (Randall et al, 2003). Thus, investors refer to investment funds to request issuance for investment and redemption for withdrawal from the investment. Investment funds are open-ended funds in which the amount of capital changes by the demand for issuance or redemption of investment units, while the closed-end funds attempt to increase or decrease capital only through legal formalities (Saidi et al, 2010).

2.5. Return chasing, performance persistence, and marketing

One of the well-documented and strong researches in the mutual fund literature is the prevalence of return-chasing behavior in mutual fund investors (Hüsser, A.,2015, pp:5–22). Different studies have shown that mutual fund flows chase past performance, for example we can mention Ippolito, 1992; Sirri and Tufano, 1998). The strength of return chasing behavior has also been shwn in experiments. For example, in an experiment that fulfilled using real index mutual funds, Choi et al (2010) demonstrated that even highly sophisticated and cost sensitive MBA students obey past returns pattern (Hüsser, A.,2015, pp:5–22).

Another study have done by Kliger et al (2003). They found that the willingness to invest in a mutual investment fund followed the fund manager's past results, even when the manager's performance patterns were randomly. Investors evidently devoted to the 'hot hand' effect, by tending to as past results to skill rather than luck (Shefrin, 2002; Koehler and Mercer, 2009).

However, according to the efficient market hypothesis, historical returns have no value in predicting future returns. Stock prices reflect all publicly available information, and thus new information is quickly shown in share prices. Share prices therefore follow a 'random walk'(Fama, 1970). Moreover, there is little evidence for the stock-choosing ability by fund managers, which is consistent with this efficient market framework. Mutual investments funds, on average, underperform their benchmark returns (Malkiel, 1995; Gruber, 1996). Although performance persistence has been documented in finance, such persistence has been shown to be short-lived (Hendricks et al, 1993; Bollen and Busse, 2004).

Carhart in 1997 and Berk and Green in 2004 argued that the limited evidence for performance courage has also led researchers to conclude that preferable result is because of chance rather than to the stock-choosing ability of fund managers. Given the broad number of mutual funds, it seems likely that at least some funds have generated their superior performance by chance (Carhart, 1997; Berk and Green, 2004).

The rationality of inferring a fund manager's ability based on past performance has therefore been questioned by researchers, and attributed to behavioral biases (Berk and Green, 2004; Bailey et al, 2011). Indeed, one recent study found that the cause of superior performance in almost all funds is because of chance, and that funds are not able to 'produce benchmark-adjusted expected returns that cover costs' (Fama and French, 2010,p. 1932).

Other researchers have investigated the relationship between performance persistence and marketing strategies. Jain and Wu (2000), for example, found that advertised funds with superior pre-advertising performance relative to that of the S&P 500 underperformed the S&P 500, and that their performances were not different from the average returns of a non-advertised control group of similar funds in the post-advertising period. Jones et al at 7 years later (2007) found that previously advertised funds performed significantly worse than no advertised funds in a 3-year period following the advertising. Similarly, Arteaga et al (1998) found that incubator funds, once marketed to the public, reverted to median performances in the short term. Moreover, selective attention funds (that is, introduced winner funds) attracted high fund inflows, but those inflows undermined the subsequent performance of the funds (Hüsser, A.,2015, pp:5–22).

2.6. Warning labels and mandated disclaimers

Generally we can say that the impact of warning labels on investor behavior and conformity is mixed (Stewart and Martin, 1994; Argo and Main, 2004).Usually there is a disclaimnar in prospectus of mutual funds in Iran. However, few researches have studied the impact of disclaimers mandated by government and regulatory bodies on investor behavior in comparison of other types of disclosure (Hüsser, A., 2015, pp:5–22). Research suggests that mandated disclaimers are less likely to impact consumers' beliefs, and that the content of mandated disclaimers must be more specific, more strongly worded, and more evaluative (Morris et al, 1989; Moorman, 1990; Andrews et al, 1998; Mason et al, 2007).

2.7. Background of research

In this part of the study we have tried to address some of the most important and relevant research that was conducted in Iran and other countries. Literature Review Matrix has been shown bellow.

Table (2): The summary of Background of research

Author/ Date	Subject	Conclusions
Javid(2009) Talat Veraaf., (2009) Karpof(1987)., Z. Poorzamani; A. Rohy; A.M. Safari ., (2010), Saiediet al(2011)	The impact of Some characters on return of funds was examined	The impact of Some characters like transaction volume, fund Size, Life Time of Fund, Market Return , creation value and redemption value of every unit on return of funds is accepted and approved.
Husser., (2015)	The role of investors' objective financial knowledge on the assessment of risk disclosures in mutual fund advertisements was examined	the results showed that mandated disclaimers were ineffective in reducing investors' return expectations and attitudes toward the advertised fund, regardless of the investors' level of financial knowledge. Also warning labels effectively impacted the return expectations and attitudes of low knowledge investors, but not high-knowledge investors.
Swinkels, et al (2008)	mutual fund managers skills effect on fund returns was tested	For each of the three categories, equity, balanced, and bond funds, the paper positive, but insignificant selectivity skill of the mutual fund managers. No evidence is found of bond or equity market timing skills in the sample.
Fereidoon Roodposhti, et al., (2008)	Determine the needs and priorities of accounting training course content and provide an effective model was studied	Higher education programs in accounting field are far from desirable situation and they need to be reformed the structure of the course content, course type, the content and time predicted by the principles of reliability, balance, integration. University professors believe that financial accounting tendency is the first priority for this field. Doctoral student considered that management

Author/ Date	Subject	Conclusions
		accounting is the first priority but professional managers voiced that lesson of financial reporting and explanatory notes is the first priority.
Saiedi et al., (2011)	Effective factors on fund return in Iran were determined.	There is a linear relationship between 6 variables (in order of priority): market Return, growth rate of the fund, the absolute deviation of the average return, creation value, ratio of the fund activity ,redemption value with Fund Return.
Moradzadeh-Fard et al .,(2011)	The impact of Some characters on return of funds was examined	The impact of investment unit number, transaction activity,fund Size, Life Time of Fund, creation value, redemption value Market Return , market return and return of funds is approved.
Saiedi et al., (2012)	Mutual Funds Cash Flow and Market Return in Tehran Stock Exchange was reviewed.	Issuance value, redemption value and net value of issuance and redemption of investment units is called cash flow to mutual funds. This cash flow to mutual funds is used as an investor sentiment index, when there is significant relationship between cash flow to mutual funds and market return. On the basis of weekly data, first lag of market return affected net cash flow to mutual funds. However, first lag of market return affected current issuance value and the second lag of market return affected current redemption value. Based on monthly data, neither of market returns lags had the significant explanatory power.
Samsami et al., (2014)	Financial literacy and participation in stock exchange	A true shareholders are financially literate. Financial literacy of shareholders affected by education level, college and high school education and their field and also Financial literacy is associated with childhood experiences. Financial literacy has been linked to investment and portfolio diversification.
Salimipoor-nodooshan and Moeineddin., (2014)	Financial literacy survey of high school students	Financial literacy of high school students was insufficient.
Hanifeh-zadeh et al ., (2012)	Level of financial literacy between families in Tehran	Financial literacy between families is undesirable and there are correlation between financial literacy and some factors like: Age, gender, education, income, field of education, capital accumulation and Location of life.
Karimi et al .,(2013)	The relationship between consumer experiences of childhood students with financial literacy was tested.	The level of financial literacy of students affected by factors such as age, gender, marital status, employment status, occupation, school, education, high school education field and financial independence, but The components of activities, average income levels and Education of Parents have no effect on the rate of financial literacy of students. There was a significant direct relationship between experiences of childhood and Consumer financial literacy.
Alizadeh-Katanlooyee et al., (2012)	A content analysis of primary school textbooks, math and social studies based on economic and financial literacy component	In different textbooks, there are the different level of each component of financial literacy and economic literacy. Also the levels of attention to economic literacy in textbooks are more than financial literacy.
Izadi et al(2012)	The impact of financial literacy on the investment decision in Iran	The purpose of this study was identifying the differences in the level of financial literacy of investors regarding to demographic characteristics and planning by Stock Exchange officials for promotion of financial literacy
Rehavi Ezatabadi, Z., et al., (2013)	Students financial literacy and its relationship with subjective well-being and financial	The correct application of the skills of financial literacy lead to achieving long-term financial well-being
Zare-Raisabaadi et al.,(2012)	The level of managers financial literacy	According to complexity and competitiveness of markets and privatization, an organization needs strong human resources especially in management level. Financial literacy is a subject that in the past given less importance, but in today's world according to existing needs, has an special place.

Author/ Date	Subject	Conclusions
Mamshali et al.,(2012)	Assessment of financial literacy curriculum	Three subjects include personal finance, services and financial products, consumer rights and responsibilities has been chosen as required training for primary school.
Chaman-Aaraa et al.,(2011)	The Relationship between managers' knowledge of financial statements with a net profit of listed companies in Tehran Stock Exchange	Managers must have at least enough knowledge about the financial statements, including commercial law, tax law and stock exchange rules. The knowledge of managers at different levels of the financial statements, can affect the net profit.

3- Methodology

Research in the social sciences in general, and in accounting and finance in particular, is done through the inductive method, because of the difficulties of deductive method. The inductive method examines the sample and generalizes the results to the entire population; while the deductive method first examines the entire population, and generalizes the actual results to members (Rasool, 1998). This study used an applied descriptive survey. The population of this study included the investors in Iranian mutual funds. The samples selected by Krejcie-Morgan table included 384 managers and employees of mutual funds, managers of relevant financial institutions, investors and others active in the capital market, as shown in Table 2. The data collection is the beginning of a process through which the researcher collects field and archival findings, classifies and analyzes them and, finally, evaluates his developed hypotheses (Hafeznia, 1998). In this study, data was collected by two groups of archival and field information (Alvani, 1998).

Data was collected by two standard questionnaires: 1) implicit financial literacy of investors, and 2) risk disclosure of promotion mix by mutual funds. Based on the knowledge management model of Nonaka and Takeuchi, knowledge management aspects involve externalization, combination, internalization, and socialization. Data was analyzed by inferential methods. In order to collect basic information of respondents, they were asked to respond to the questions related to gender, age, education, occupation, income and experience. Archival data was collected from theses and research related to the subject as well as relevant websites. Data was analyzed by SPSS software. Content validity was used to determine the validity of the questionnaires. Hence, in this research, we are used of the some investment management, knowledge management, mutual investment funds managers and experts in Iran, so that, experts were also asked about the questionnaires to resolve their ambiguities. This indicates the acceptable validity of the test. In addition, Cronbach's alpha was used to determine reliability of the questionnaires. Cronbach's alpha is usually a good indicator of reliability and internal consistency of elements. As the results show, the present study is reliable. Table 3 presents the results.

Table (3): sampling of research

Rank	Group	Number of sample	Number of population	Number of sample
1	The manager of mutual funds in Iran	86	120	86
2	The employee of mutual funds in Iran	110	500	110
3	The manager of financial intuition related with mutual funds in Iran	68	150	68
4	The investors of mutual funds in Iran	88	10000000	88
5	Other people active in capital market in Iran	32	More of the 5000000 person	32
6	characterizes of population	384	Big population	384

Source: (Nonaka,I.,1995, pp.12-28).

Table (4): characterizes of questionnaires and dimension of questionnaires

Rank	Type of questionnaires	Dimension of questionnaires	questions	Cronbach's alpha coefficient
1	Nonaka, I. & Takeuchi, H. (1995). questionnaires	Externalization of financial knowledge	1-5	0.875
2		Combination of financial knowledge	6-16	0.791
3		internalization of financial knowledge	17-20	0.883
4		socialization of financial knowledge	21-26	0.798
5	assessment of risk questionnaires	assessment of risk	1-18	0.893
6	-	Total Dimensions	Total questionnaires	0.872

Source: (Nonaka,I.,1995, pp.12-28).

Table (5): Descriptive Statistics

Type of variable		N	Mean	Minimum	Maximum	Mid	Variance	Std. Deviation
Dependent Variable	assessment of risk	384	30.1274	8.12	45.65	29.50	38.89185	6.23633
Independent Variable	Externalization of financial knowledge	384	19.0900	5.33	25.32	19.515	2.830833	1.68251
	Combination of financial knowledge	384	20.0261	11.70	23.00	20.006	3.447933	1.85686
	internalization of financial knowledge	384	19.0845	5.33	21.00	19.50	2.465286	1.57012
	socialization of financial knowledge	384	20.0111	11.70	28.96	20.01	3.851657	1.96256

Source: finding of research.

4. Result

4.1. Descriptive Statistics

Statistic characters of Independent and dependent variables have been shown in table 4 including Mean, Minimum, and Maximum, Mid, Variance and standard Deviation for every variable.

4.2. Kolmogorov-Smirnov Test for Normality of Data

One the data is collected, it is essential to determine the normal distribution of quantitative data. This is a prerequisite to use parametric and nonparametric tests. In this study, Kolmogorov-Smirnov test was used to determine the normal distribution of data. According to the significance level, as shown in Table 5, compared to the critical value at error level (5%), H_0 is supported. As a result, data are normally distributed.

H_0: data is normal (data is extracted from a normal population).
H_1: data is not normal (data is not extracted from a normal population).

In general, the results of this test show that the z-value is not significant in all variables at error level <0.05. In other words, the data distribution is normal in these variables. One assumption of linear regression is that the data distribution of dependent variable must be normal or near normal. As shown in Table 5, the dependent variable follows the normal regression; therefore, the data logarithm was used for regression.

Table (6): The One-Sample Kolmogorov-Smirnov Test for Calculated Normal of data

Rank	Type of variable		Number of sample	Kolmogorov-Smirnov Z	Asymp. Sig. (2-tailed)	Result of normality	Result of hypnotists
1	Dependent Variable	assessment of risk	384	2.465	.894	Data is normal	The hypnotists of (H_0) is Accept
2	Independent Variable	Externalization of financial knowledge	384	3.358	.671	Data is normal	The hypnotists of (H_0) is Accept
3		Combination of financial knowledge	384	1.284	. 749	Data is normal	The hypnotists of (H_0) is Accept
4		internalization of financial knowledge	384	3.254	.746	Data is normal	The hypnotists of (H_0) is Accept
5		socialization of financial knowledge	384	1.256	. 852	Data is normal	The hypnotists of (H_0) is Accept

Source: finding of research.

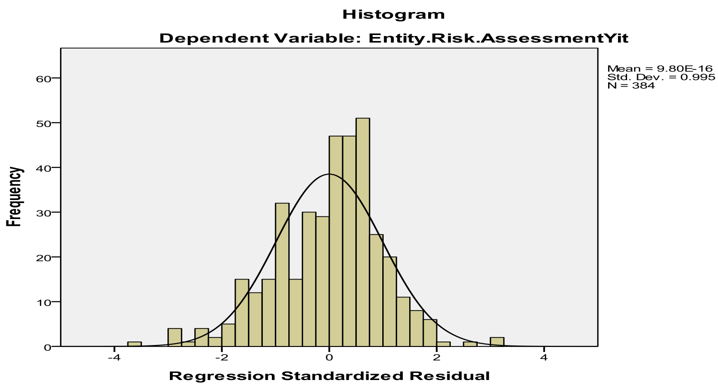

Figure (1): The One-Sample Kolmogorov-Smirnov Test for Calculated Normal of data

Source: finding of research.

4-3-Calculation of Cronbach's Alpha for Validity and Reliability

Generally, validity and reliability of the data can be determined by Cronbach's alpha. Data will be valid and reliable if α >.070. As noted earlier, the collected data was analyzed by SPSS software to calculate Cronbach's alpha (0.872). As shown in Table 3, the questions of the questionnaire are reliable and valid for measuring data, because the coefficients are higher than the above value for each dimension of the variables.

4-4- Hypothesis test

Main Hypothesis: Financial knowledge management of investors influences the focus of the organization on the risk of promotion mix by mutual funds in Iran.

Table (7): The Result of Regression

Variables Entered/Removed[b]			
Model	Variables Entered	Variables Removed	Method
1	Combination. It, Externalization. It, internalization. It, socialization. It	.	Enter
a. All requested variables entered.			
b. Dependent Variable: Entity Risk Assessment…Y_{it}			

Source: finding of research.

Table (8): The Model Summary

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.762[a]	.580	.576	4.06106
a. Predictors: (Constant), Combination. It, Externalization. It, internalization. It, socialization. It				

Source: finding of research.

Table (9): The Coefficients[a] Model of Regression

Coefficients[a]					
Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
	B	**Std. Error**	**Beta**		
(Constant)	-32.182	2.739		-11.748	.000
Externalization. It	.475	.232	.128	2.047	.041
Socialization. it	2.027	.415	.604	4.882	.000
Internalization. it	1.397	.256	.352	5.456	.000
Combination. it	-.700	.389	-.220	-1.802	.072
a. Dependent Variable: Entity Risk Assessment… Y_{it}					

Source: finding of research.

Table (10): The Result of Correlations Spearman's rho Coefficients

Correlations							
Correlations of variable matrix			**Entity Risk Assessment. Yit**	**Externalization. It**	**Socialization. It**	**Internalization. It**	**Combination. i,t**
Spearman's rho	**Entity Risk Assessment. Yit**	Correlation Coefficient	1.000	.542**	.707**	.558**	.694**
		Sig. (2-tailed)	.	.000	.000	.000	.000
		N	384	384	384	384	384
	Externalization. i,t	Correlation Coefficient	.542**	1.000	.562**	.967**	.555**
		Sig. (2-tailed)	.000	.	.000	.000	.000
		N	384	384	384	384	384
	Socialization. i,t	Correlation Coefficient	.707**	.562**	1.000	.569**	.989**
		Sig. (2-tailed)	.000	.000	.	.000	.000
		N	384	384	384	384	384
	Internalization. i,t	Correlation Coefficient	.558**	.967**	.569**	1.000	.562**
		Sig. (2-tailed)	.000	.000	.000	.	.000
		N	384	384	384	384	384
	Combination. it	Correlation Coefficient	.694**	.555**	.989**	.562**	1.000
		Sig. (2-tailed)	.000	.000	.000	.000	.
		N	384	384	384	384	384
**. Correlation is significant at the 0.01 level (2-tailed).							

Source: finding of research.

Table 6 shows the results obtained from the regression of the main hypothesis. Financial knowledge management of investors (externalization, combination, internalization, socialization) influences the focus of the organization on the risk of promotion mix by mutual funds in Iran. The coefficient of the regression test (Table 7 to 9) shows that the variables related to financial knowledge management of investors (externalization, combination, internalization, socialization) as independent variable explain the focus on the risk of promotion mix by mutual funds (dependent variable) by 76.20%.

The results of Spearman correlation test (Table 10) support the calculated coefficient of correlation and significance level; therefore, there is a significant correlation between financial knowledge management of investors (externalization, combination, internalization, socialization) and the focus of the organization on the risk of promotion mix by mutual funds. Thus, the null hypothesis is rejected. In other words, there is a significant relationship between financial knowledge management of investors (externalization, combination, internalization, socialization) and the focus on the risk of promotion mix by mutual funds at 5% error level. Moreover, these results can be generalized to the entire population, all of mutual funds in Iran, by 95% confidence.

In summary, table 11 shows the results of ANOVA. Results of regression test are significant at 95% confidence and 5% error, compared to sig = 0.000. In summary, Table (7) to Table (11) shows the statistical description of the main hypothesis. According to the above table, the significance level is <5% error for the independent variables. Therefore, this variable is significant and the main hypothesis is supported. The independent variables significantly influence the dependent variable. In other words, there is significant relationship between financial knowledge management of investors (externalization, combination, internalization, socialization) and the focus of the organization on the risk of promotion mix by mutual funds. The second column in the table above shows the correlation coefficient (0.912) which is the square of the correlation coefficient or the coefficient of determination (the amount of variation in the dependent variable which can be explained by the regression). In addition, the standard error of the estimate measures the distribution around the regression line in a two-dimensional plane. The larger the value of this index, the more the distribution around the regression line. Moreover, these results can be generalized to the entire population by 95% confidence.

Table (11): The Result of ANOVA[b] Test

ANOVA[b]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8645.035	4	2161.259	131.047	.000[a]
	Residual	6250.545	379	16.492		
	Total	14895.580	383			

a. Predictors: (Constant), Combination. It, Externalization. it, internalization. It, socialization. It
b. Dependent Variable: Entity Risk Assessment…Y_{it}

Source: finding of research.

Table (12): Result of Final Model for Subsidiary Hypothesis

ROW	Relation Type	Hypothesis Condition		sig	Confidence Interval	statistic(β) Regression Slop		Statistic (t)	Statistic (f)	R^2	R	variable
		Rejection	Accepted			Standardized Coefficients	Unstandardized Coefficients					
1	positive significant	H_0	H_1	.000	95%	.630	2.336	15.864	251.680	.397	.630	externalization of financial knowledge
2	positive significant	H_0	H_1	.000	95%	.658	2.211	17.099	292.379	.434	.658	combination of financial knowledge
3	positive significant	H_0	H_1	.000	95%	.680	2.700	18.117	328.243	.462	.680	Internalization of financial knowledge
4	positive significant	H_0	H_1	.000	95%	.621	1.974	15.495	240.083	.386	.621	socialization of financial knowledge

Source: finding of research.

Table (13): Result of Final Model for Main Hypothesis

ROW	Relation Type	Hypothesis Condition		sig	Confidence Interval	statistic(β) Regression Slop		Statistic (t)	Statistic (f)	R^2	R	variable
		Rejection	Accepted			Standardized Coefficients	Unstandardized Coefficients					
1	positive significant	H0	H1	.000	95%	.128	.232	2.047	131.047	.580	.762	externalization of financial knowledge
2	positive significant	H0	H1	.000	95%	.604	.415	4.882				combination of financial knowledge
3	positive significant	H0	H1	.000	95%	.352	.256	5.456				Internalization of financial knowledge
4	positive significant	H0	H1	.000	95%	-.220	.389	-1.802				socialization of financial knowledge
Relation Statistic(R) :(.762a)، Adjusted statistic of (R2):(.576)، Significance level: (.000), R2 statictic(.580)												

Source: finding of research.

5- Conclusions

Currently, knowledge is known as an asset to create wealth and economic value. Knowledge has seized the physical capital and financial power (Pulic, 2005). Seetharaman et al (2002) quote Kendrick, one of American economist, that the ratio of intangible assets to tangible assets was 30 to 70 in 1925. However, this ratio increased to 63:37 in 1990s. Stewart (1997) considers human capital as the most important asset of the organization. Therefore, companies with higher intellectual and human capital are expected to have higher financial performance. Shifting from the industrial age to the information era, intellectual capital has been highlighted. Intellectual capital is beyond physical tangible assets. Currently, intellectual capital can play an important role in creation of value added and GDP due to the generation of knowledge and information as well as wealth in a knowledge-based economy. This can be caused by factors such as information technology revolution, the increasing significance of knowledge and knowledge-based economy as well as the effect of innovation and creativity as a key element of competition (Guthrie, 2001). Accordingly, the main purpose of this study is to examine the role of financial literacy of investors in risk disclosure of promotion mix by Iranian mutual funds. Since the sample size was large (384), the Krejcie-Morgan table was used for sampling. This study used a descriptive correlation methodology. The results support the main hypothesis, because p-value <5% for the independent variables; therefore, there is a significant relationship between independent variables and dependent variable. In other words, the aspects of financial knowledge management (externalization, combination, internalization, socialization) influence the focus of the organization on the risk of promotion mix by Iranian mutual funds. Considering the results of this study, it is recommended to consider the followings for future works: It is recommended to examine the relationship between efficiency of intellectual capital and performance of management in Iranian mutual funds. It is also recommended to compare the results with the results obtained by the present study. It is recommended to examine the relationship between knowledge-based economic models and financial performance of Iranian mutual funds. It is also recommended to compare the results with the results obtained by the present study.

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