

## **Financial Knowledge of Women And its Impact on Investment Decision Making**

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### **Abstract**

This paper examines the financial literacy of women and their attitude on investment. The contribution of women all over the world is overwhelmingly increasing in their family, businesses and our society which is also being recognised. This content discussed below also attempts to highlight the role and identify investment decisions of both working and non-working women's as regarded by different types of researches conducted worldwide. We will also come to know through this study, that women tend to have a very conservative attitude, lack of confidence, risk averse as well as lower levels of financial knowledge and they are also dependent on guidance from others because they are being one of the essential parts of our routine. Nowadays, financial literacy amongst women has tried to gain their attention for improving their personal investment and financial management decisions in our nation. Such knowledge helped their investment decisions and it positively and significantly influenced their behaviour to consider rational investment decisions. Through, this research we came to know how it continues to be an important factor and predictor of financial behaviour. Researcher had surveyed 196 women from different occupational sector to know the impact of financial knowledge of women on their investment decision making and concludes that there is a significant impact of "financial knowledge" of women on their investment decision making.

**Key Words:** Financial, Knowledge, Investment, Decisions, Research.

### **Introduction**

Financial knowledge can be described as how to make smart decisions support various life goals in our daily life with money. Using such knowledge, women's are able to make better strategies and financially responsible decisions for their long-term successes. This knowledge can also broadly be defined as a capacity to have familiarity in financial market products especially those, which are related with rewards as well as risks to consider and make informed choices(Singh, 2014). Such cognition also involves intimate understanding of various types of financial concepts which are as compound interest, financial planning, consumer rights and also advantageous savings method(Lusardi & Mitchell, 2014). It eventually helps them to manage their money, personal finances, investment and tax planning. Financial literacy amongst women also enable to open doors for their passive income, budget creation and all basic financial abilities that each and everyone should have to

manage their finances. They also aim towards to aid every individual for comprehension of numerous ideas that will basically improve their ability to manage their finances. Each and everyone are able to uphold a strong foundation that helps women to be independent and self-sufficient. Though, it becomes important for every individual to sensibly take charge of his/her economic well-being. Its knowledge has become essential in our day-to-day life towards making well informed decisions over several kinds of investment options. We will also cover numerous topics about financial concepts and several researches were carried to understand the factors related with their investment choices. Country like India faces numerous debates related with women's position in their financial freedom and decision-making. Traditionally, from many years it has been observed that men take financial decisions therefore, they have intrinsically superior money management ability but during recent years it has been considered to some extent that majority of women take share in different kinds of financial decision-making. As women across the country are working in different sectors as well as also getting employed. These women after talking to some of them seem to be very comfortable in their long term financial and post retirement goals. Hence, they are able to make rational decision making which help them in maximising its utility. We have also noticed that psychological factors of an investor also play a significant role in investing (Cholakova & Clarysse, 2015). Women's of our nation also have excellent management skills in running their home and form their own financial identity which is automatically helping them to recognise their true potential through such financial knowledge. Many women have started to recognise their true value and they are also performing extremely well in areas such as technology, research, entertainment that is eventually helping to lift their status in society. Financial literacy is also beneficial for rural areas as we have seen that such knowledge amongst them is very low as compared to woman belonging and living in urban as well as metropolitan areas. Talking to few of the women in rural areas we also came to know that, they said it was very difficult for them to operate their account and keep track of their own finances as most of them were illiterate. Government should take strict measures to make sound financial decisions and conduct various programmes so that, all scheme related benefits can reach to them in order to eliminate all kinds of intermediaries. However, just owing a bank account is not enough therefore, we will also discuss below about several organisations and fin-tech who are implementing financial and digital literacy programmes (Despard, et.al, 2020). They have also on-boarded many rural women banking correspondents to facilitate women entrepreneurship which provide them with convenience and foster trust among them. According, to these researches there is still a considerable amount of work left in order to achieve inclusion, especially when it comes to women of rural areas. Government of India have been undertaking many initiatives to educate people about its importance in each and everyone's life. Hence, India is majorly focusing on women empowerment to provide various opportunities and also to enhance their personal financial activities (Maqbool & Zamir, 2019). Therefore, at the end we have also covered its importance for women in India as well as all over the world.

## Literature Of Review

The sustainable growth of an economy of developing country like India is totally dependent on its financial literacy amongst the people (Hastings, et.al, 2013). One of the biggest challenges for our nation is women empowerment that is achievable only by providing them with equal responsibilities on financial decisions. Financially knowledgeable individual will be able to carry out as well as make intellectual judgements and also take effective choices regarding its usage and management of money. Financial knowledge or its literacy can be defined as the intelligence or an ability of an individual in managing his/her finances. It is a must for each and every individual to manage their finances so that, they have the ability to make simple and several decisions for controlling their financial future. There are many determinants related to financial knowledge that influences how an individual deals that include various socio-demographic factors which are education, income level, and gender, exposure to their outside world, family income, their retirement needs and awareness about different financial instruments (Arora, 2016). Though, its literacy is and has a significant effect on their financial behaviour. Financial knowledge amongst everyone has become very crucial nowadays, due to its growth in financial market. Therefore, in order to consider sound financial decision they must be equipped with good financial knowledge and positive attitude. Increase in numerous types of financial products which are available to them has added to its complexity, importance and their scope in financial literacy. Women all over the world face many challenges as well as barriers that make it difficult for them to be financially prepared for their future. So, it eventually becomes more important for women's across the globe to be financially literate. They are often considered as a primary caretaker in their families and many times make excellent financial decisions regarding other investments. From past decades, financial knowledge and its awareness has become one of the most important lessons in women's lives. Thus, financial knowledge or financial literacy can also be defined as the capability to make informed decisions and consider effective measures regarding the current as well as future use and also management of finances (Batty, et.al, 2015). It is also a combination of financial awareness, knowledge, skills, attitude and behaviours that are required for making sound financial decisions as well as help to achieve each and every individual with a financial well-being. Budgeting, investing, managing credit as well as debit that helps to accomplish many kinds of life goals which are retirement, study, even travelling can also be managed successfully with these managed financial planning. Women's of our nation consist of 48% in our total population with only 65.46% of total female literacy but, we have observed that only a small proportion of exempt in our country has a significant say in "how" and "where" of these financial matters in household. Many correspondent women have their bank accounts but these accounts are rarely being operated by them. 58.92% of women population have their informal savings, from which it was observed that only 7.43% women used to deposit in their bank account. As most of them do not prefer to get involved in such kinds of investment decisions, monetary decisions and financing decisions that matters in our nation because such decisions are only in the hands of a male relative. Most of them preferred to keep their savings in cash if they have any with themselves. Our research revealed that 79.73% women don't use ATM cards, net-banking and any other mode of digital mode of banking facilities. Majority of respondents preferred to

borrow from their relatives, friends, spouse or different money-lenders rather than borrowing from formal sector. But, it is important for both the men and women to acquire such kinds of financial knowledge which helps them to get participation on many kinds of money related issues in their families effectively (Abreu & Mendes, 2010). Financial knowledge of women can be regarded as one of important aspect for their independence. They empower everyone, especially women to conduct independent decisions. Thus, women who are financially literate tend to gain more confidence in their own decision making. One can individually have easy access to manage their finances effectively by learning numerous financial principles. Additionally, it also helps an individual to facilitate themselves with sound financial decision-making, financial management in order to attain stability. Each and everyone should aim to improve their ability in managing their finances that will eventually lead them towards a financially sound existence. Financial knowledge offers an in-depth understanding of financial education as well as a variety of tactics which are essential for successful financial growth (Syafri, 2021). In this day of Information and Communication technology there is ample number of resources for both rural and urban areas women who wish to become financially knowledgeable. There are abundant numbers of online resources those who wish to educate themselves. However, with the changes observed in our economic scenario and higher participation of women in different work-fields, such literacy must be given topmost priority. In today's scenario the game has changed vastly as there was a time when such knowledge was restricted to the financial shelf in bookstores but due to internet penetration and its availability at affordable rate is leading all towards a digital economy. This automatically helps them to gain more confidence in their own decision making. Since, it has been observed that financial planning and different investment activities have long been considered the domain of men in many households yet; most of them still depend on either from their parents or husbands to manage their finances. In India, mostly women face specific challenges related with financial literacy or its planning because women earn significantly less as compared to men during the same earning years so, financial knowledge for women helps to ensure them on saving a lot for long-term needs (Servon, & Kaestner, 2008). Article 39 of our Indian constitution states that be it men or women both should be entitled to get equal pay against equal work, but it is being hardly practised. According to a 2017 article of India Responsible Business Forum (IRBF), it said that they are being paid 27% less as compared to men. Women of India are also known to be less likely to ask for a raise in their work field from their boss. In rural areas there is still most number of females who think and feel that financial planning or decision is a man's job as they totally depend on their male counterpart in planning their decisions. Nowadays, there are many women who are taking initiatives and have started taking active participation on financial decisions of the family despite such improvements there are many areas where men are viewed as main breadwinner due to the patriarchal setup in our Indian society. Across the world women are all getting proficient and getting financial knowledge that are helping them to handle day-by-day finances. Financial knowledge is being regarded as a critical indicator for development and well-being of our society around the globe (Brüggen, et.al, 2017). Therefore, concerns have been raising all over across our country for women empowerment from last few decades. Thus, financial inclusion is bringing both unbanked and under-banked

people mostly women of both urban and rural India in the monetary system by providing them several opportunities to access different financial services to create economic growth. Getting access to financial services is aiding them to generate more income, accumulate assets and also helping with all economic activities. Despite such improvements done there are many factors that continue to disrupt in their financial literacy. These studies were largely conducted to examine the financial knowledge of women in our country but they suggest that they are more apprehensive about their future as most of them are uneducated about how to secure it, and frequently face financial challenges than men while conducting monetary decisions. Country where 18 years of age is considered as a matured age and a woman becomes responsible for voting and getting married but they are unfortunately not conscious about their financial decision making or investment planning. The OECD and its International network on Financial Education (INFE) also emphasised the need to promote financial literacy and its motive in everyday life as part of their financial education strategies (Santos, 2017). According to a survey, which was conducted by Reserve Bank of India (RBI), the awareness of digital banking and its usage among rural as well as urban population across our country was at par with each other that indicate to have improvements needed for improving knowledge across all strata's of our society. Despite, they are more to savings oriented by different traditional methods their all wealth lies ideally in their bank accounts which also lose value over a period of time owing to inflation. Hence, there is need for financial autonomy because the present world demands a greater need for financial education and its awareness (Butterbaugh, et.al, 2020). There are multiple factors which are discussed above that demands to develop healthy investment habits amongst women for a secured future. Encouraging them will ensure their financial independence and also increase flow of money in the financial market. Modern investment portfolios such as stock market, crypto currency, US stocks and many other investment strategies have played a major attraction point on present scenarios to begin their investment journey. Globally there are number of countries like Czech republic, New-Zealand, Spain and United Kingdom who have already implemented National Strategy for Financial education though, many other nation are in the procedure of formulation and its implementation. India slipped to a rank of 140<sup>th</sup> among 156 countries in World Economic Forum's Global Gap Report 2021, as per the survey report it suggested that women's earned income of our country is only one fifth's of men's that eventually puts the nation among bottom 10 globally on this indicator. Government of our nation needs to invest in women specific goals that will help to overcome such challenges unfortunately according to a annual report 2020-21, 27% of people in our nation is financially literate (Vasile, et.al, 2021). Indian government has launched numerous programmes to make all financially literate that will ensure active participation for all investment decisions or financial planning. The Pradhan Mantra Jan Dhan Yojana (PMJDY), ensure comprehensive financial literacy inclusion among all household in our country by providing unbanked persons easy access to banking services and awareness about financial investments through financial literacy programmes. Reserve bank of India has undertaken a project entitled with "Project Financial Literacy" to disseminate numerous information regarding general financial concepts and investment patterns to specific target groups that include rural and urban poor, school and college students that will hence, generate their interest towards financial

knowledge. Securities Exchange Board of India (SEBI) has embarked many financial education programmes through numerous nationwide campaigns to impart various concepts of financial knowledge for different target segments all over India. It has also launched an investment investor education campaign across all over our country through media in 14 different languages. These awareness programmes have been disseminated through the means of Internet, television, print media to convey rights and duties of women in order to gain financial knowledge in order to improve their investment decisions strategies. Considering its expertise and mandate the Ministry of Human Resources Development (MHRD), is taking lead to ensure financial literacy material in our school syllabus for development of better investment decisions of women and their financial knowledge. These will eventually allow them with equal opportunities as men to participate fully in every economic activity.

### Objective

1. To know the impact of “financial knowledge” of women on their “investment decision making”.

### Methodology

Researcher had surveyed 196 women from different occupational sector to know the impact of “financial knowledge” of women on their “investment decision making”. The survey was conducted with the help of a “structured questionnaire”. The researcher had collected the primary data through “random sampling method”. Data was analysed and evaluated by “mean and t-test”.

### Findings

Table below is sharing basic details of the respondents. In total 196 women respondents 27.0% are below 40 years of age, 48.0% are between 40-47 years of age and rest 25.0% are above 47 years of age. 19.9% of the respondents are graduate and below, 30.1% are post graduates, 34.7% are having professional degree and rest 25.0% are having some other qualification. 16.3% of the total respondents are salaried, 27.0% are in business sector, 31.1% are self-employed and rest 8.2% are in some other occupational sector.

**Table 1 Basic Details**

<b>Variables</b>	<b>Respondents</b>	<b>Percentage</b>
<b>Age (years)</b>		
Below 40	53	27.0
40-47	94	48.0
Above 47	49	25.0
<b>Total</b>	<b>196</b>	<b>100</b>
<b>Qualification</b>		
Graduate and below	39	19.9
Post graduate	59	30.1
Professional	68	34.7

Others	30	15.3
<b>Total</b>	<b>196</b>	<b>100</b>
<b>Occupation</b>		
Salaried	32	16.3
Business	53	27.0
Self employed	61	31.1
Homemakers	34	17.3
Others	16	8.2
<b>Total</b>	<b>196</b>	<b>100</b>

**Table 2 Financial knowledge and investment decision making in women**

S. No	Statement	Mean Value	t value	Sig.
1.	Financial knowledge helps women to make intellectual judgements and take effective choices to manage money	3.21	2.992	0.002
2.	Financial literacy makes them capable to make informed decisions and consider effective measures	3.19	2.724	0.004
3.	Financial awareness, attitude and behaviours help women to make sound financial decisions	3.15	2.185	0.015
4.	Budgeting, investing, managing credit is easy through financial knowledge	3.18	2.569	0.005
5.	Financial knowledge help women to participate in money related issues in their families effectively	3.12	1.741	0.042
6.	Financial knowledge help women to conduct independent decisions	3.17	2.424	0.008
7.	Financially literate women tend to gain more confidence in their own investment decision making	3.16	2.303	0.011
8.	Financial knowledge for women helps them to ensure savings for long-term need	3.20	2.892	0.002
9.	Financial literacy is important to generate more income and accumulate assets	3.14	2.000	0.023
10.	Financial knowledge encourages women to ensure their financial independence and increase flow of money in the financial market	3.13	1.890	0.030

Table above is showing financial knowledge and investment decision making in women. The respondent says that financial knowledge helps women to make intellectual judgements and take effective choices to manage money with mean value 3.21, Financial knowledge for women help them to ensure savings for long-term need with mean value 3.20 and financial literacy makes them capable to make informed decisions and consider effective measures with mean value 3.19. Respondent also shares that Budgeting, investing, managing credit is easy through financial knowledge with mean value 3.18, Financial knowledge help women to

conduct independent decisions with mean value 3.17 and financially literate women tend to gain more confidence in their own investment decision making with mean value 3.16. The respondent also says that financial awareness, attitude and behaviours help women to make sound financial decisions with mean value 3.15, Financial literacy is important to generate more income and accumulate assets with mean value 3.14, Financial knowledge encourages women to ensure their financial independence and increase flow of money in the financial market with mean value 3.13 and Financial knowledge help women to participate in money related issues in their families effectively with mean value 3.12. Further t-test shows that all the statements are significant.

### **Conclusion**

The recent study suggested that expanding financial knowledge is very crucial for women and is proven to have a positive impact not only in their investment process but also in them. Above mentioned challenges must be approached through a women centric approach that will offer equal access for women to all financial services. We have come to the conclusion that it will definitely become important for all women all over in managing their financial portfolios alone in their life in near future. It is important for women that they feel empowered while managing their investment decisions. This article also focuses and exposes several consequences, biases among all men as well women that affect their financial knowledge. Working women were usually felt conservative during their investment decisions and were conservative enough while taking risk as well as confident when considering financial knowledge. Though, at the end we came across many conclusions that financial confidence of women is totally based on their knowledge and education. It has been recognised that they were unable to take wise financial decisions only because of financial literacy. Most of their investment decisions were ultimately decided by their families. Handfuls of women were well aware about this financial knowledge and were on right track of future planning by considering investment decisions.

The study had analysed the impact of “financial knowledge” of women on their “investment decision making” and found that financial knowledge helps women to make intellectual judgements and take effective choices to manage money, helps them to ensure savings for long-term need, makes them capable to make informed decisions and consider effective measures, Budgeting, investing, managing credit is easy through financial knowledge and Financial knowledge help women to conduct independent decisions. It concludes that there is a significant impact of financial knowledge of women on their investment decision making.

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