

Financial Literacy and its Impact on Financial Decision A Study of Working Women's

Gayatri J. Khandare

Student, Department of Business Administration & Research
SSGMCE, Shegaon, Maharashtra, India
msgayatrikhandare@gmail.com

Abstract: *Financial literacy has emerged as a crucial skill in today's complex economic environment, especially for working women who actively contribute to household and personal financial decisions. This study examines the level of financial literacy among working women and analyzes its impact on their financial decision-making behavior. The research focuses on key dimensions of financial literacy such as knowledge of savings, investment options, budgeting, insurance, and risk management. The study is based on primary data collected through structured questionnaires from working women across different sectors. It evaluates how financial awareness influences decisions related to investment, savings, credit usage, and long-term financial planning. The findings indicate that higher financial literacy leads to more informed and rational financial decisions, including better investment choices, improved savings habits, and reduced financial risk. However, the study also identifies gaps in financial knowledge, particularly in areas like advanced investment instruments and retirement planning. Factors such as education level, income, and access to financial information significantly affect financial literacy levels. The research highlights the need for targeted financial education programs and awareness initiatives to empower working women. Enhancing financial literacy can improve their financial independence, economic security, and overall quality of life. The study concludes that financial literacy is a key determinant in strengthening financial decision-making among working women..*

Keywords: Financial Literacy, Financial Decision-Making, Working Women, Investment Behavior, Financial

I. INTRODUCTION

In today's rapidly changing financial environment, individuals are required to make complex financial decisions related to savings, investments, credit, insurance, and retirement planning. Financial literacy, defined as the ability to understand and effectively use financial knowledge and skills, has become a crucial factor in ensuring sound financial decision-making. It empowers individuals to manage their finances efficiently, avoid unnecessary risks, and achieve long-term financial stability. Over the past few decades, the role of women in the workforce has significantly increased. Working women not only contribute to household income but also actively participate in financial planning and decision-making. Despite this growing participation, many women still face challenges in understanding financial concepts and accessing financial resources. Social, cultural, and educational factors often influence their level of financial awareness and confidence in handling financial matters.

Financial literacy plays a vital role in shaping the financial behavior of working women. It affects their ability to budget effectively, save regularly, invest wisely, and plan for future financial security. Women with higher financial literacy are more likely to make informed decisions, diversify their investments, and manage financial risks efficiently. On the other hand, lack of financial knowledge may lead to poor financial choices, low savings, and vulnerability to financial instability. In the Indian context, the importance of financial literacy has gained attention due to increasing financial inclusion initiatives, digital banking, and diverse investment opportunities. However, studies indicate that a significant



gap still exists in financial literacy levels among working women, particularly in semi-urban and rural areas. This gap highlights the need for focused research to understand how financial literacy influences their financial decisions. The present study aims to analyze the level of financial literacy among working women and examine its impact on their financial decision-making. It seeks to identify key factors affecting financial awareness and evaluate how knowledge of financial concepts translates into practical financial behavior. The findings of this study will contribute to understanding the importance of financial education and may help policymakers, educators, and financial institutions design effective programs to empower working women.

In conclusion, financial literacy is not only a tool for personal financial management but also a pathway toward economic empowerment and independence for women. Strengthening financial knowledge among working women can lead to better financial outcomes, improved quality of life, and overall economic development.

II. LITERATURE REVIEW

Financial literacy is considered a crucial element in shaping sound financial decision-making. According to Annamaria Lusardi and Olivia S. Mitchell, individuals with higher financial knowledge are more likely to plan for retirement, invest in diversified portfolios, and avoid high-cost borrowing. Their studies highlight that financial literacy directly improves long-term financial security. Research focusing on women indicates that working women often have lower or moderate financial literacy levels compared to men, which affects their financial behavior. Studies by Maarten van Rooij show that limited knowledge leads to reliance on traditional and low-risk instruments such as fixed deposits, while financially literate individuals are more inclined toward mutual funds, equities, and insurance planning.

Several Indian studies also reveal that working women prefer safe investment options due to risk aversion, lack of confidence, and insufficient financial awareness. Financial education programs have been found to significantly improve their decision-making ability, savings habits, and investment diversification.

Furthermore, research highlights common challenges such as low income, time constraints, and limited access to financial resources, which restrict women's financial participation. Studies emphasize that improving financial literacy not only enhances investment decisions but also promotes financial independence and empowerment among working women. Overall, the literature consistently shows that financial literacy has a strong positive impact on financial decisions, and targeted education initiatives can bridge the gap, enabling working women to make more informed and effective financial choices.

III. RESEARCH METHODOLOGY

Research methodology refers to the systematic process used to collect, analyze, and interpret data for achieving the objectives of the study. For the present research titled "*Financial Literacy and Its Impact on Financial Decision-Making: A Study of Working Women*", a structured methodology is adopted to ensure reliability and validity of the findings.

3.1. Research Design

The study follows a **descriptive and analytical research design**.

Descriptive research is used to understand the level of financial literacy among working women.

Analytical research is applied to examine the relationship between financial literacy and financial decision-making.

3.2 Nature of Data

The study is based on both:

Primary Data: Collected through structured questionnaires from working women.

Secondary Data: Collected from journals, research papers, books, websites, and government reports related to financial literacy.



3.3 Objectives of the Study

To assess the level of financial literacy among working women.

To analyze the impact of financial literacy on financial decision-making behavior among working women.

3.4 Hypothesis of the Study

H0 (Null Hypothesis): Financial literacy has no significant impact on financial decision-making among working women.

H1 (Alternative Hypothesis): Financial literacy has a significant impact on financial decision-making among working women.

IV. DATA ANALYSIS AND INTERPRETATIONS

The analysis of collected data reveals the following key observation:

1. Which financial products do you currently use ?

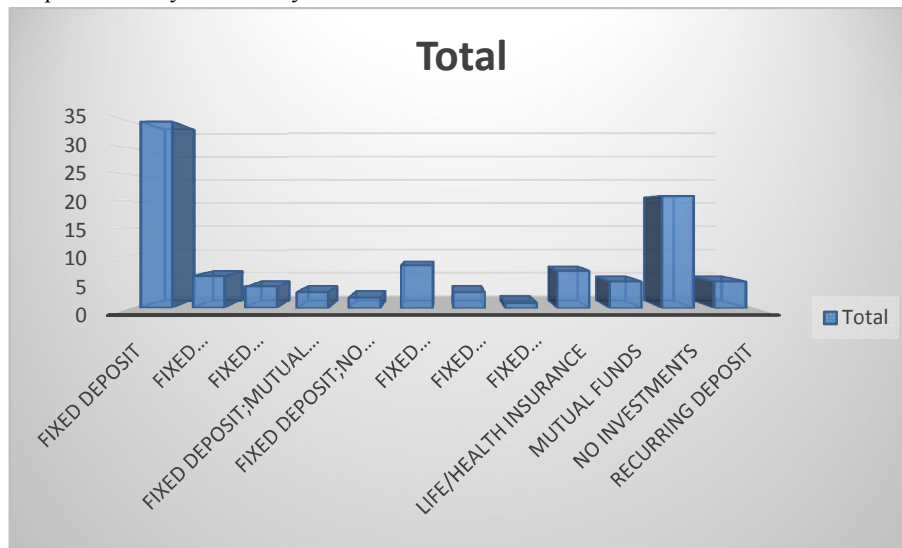


Chart No.1 Financial Products Used by Working Women

Interpretation

The data shows that most working women prefer **Fixed Deposits (35%)**, indicating a strong inclination toward **safe and low-risk investments**. **Recurring Deposits (21%)** also have significant usage, reflecting regular saving habits.

Use of **Mutual Funds** is comparatively low, suggesting **limited risk-taking ability and financial awareness**.

Insurance is mainly used along with other products, showing it is viewed more as security than investment.

A small proportion (5%) has **no investments**, indicating gaps in financial planning.

Overall, the findings suggest that **financial literacy influences financial decisions**, as higher awareness leads to diversification, while lower literacy results in reliance on traditional options.



2. Do you believe financial education is important for working women ?

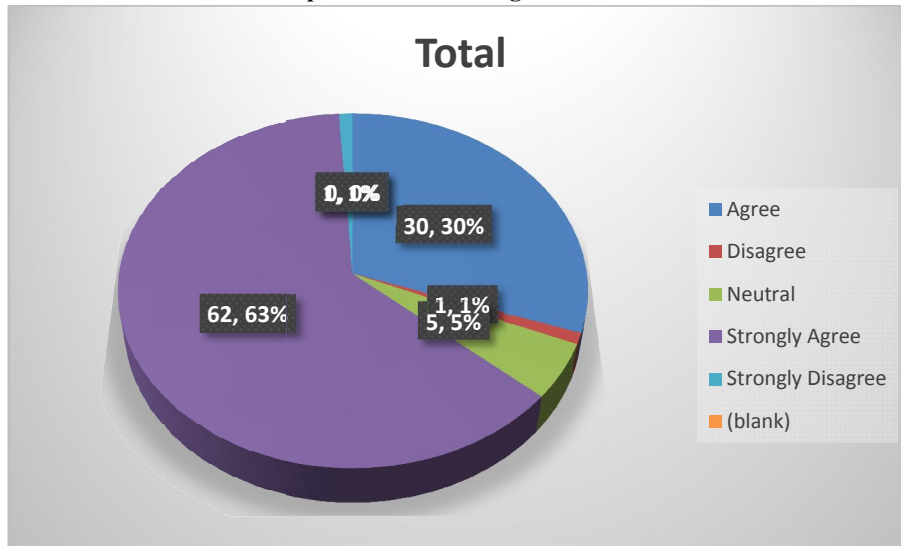


Chart No. Importance of Financial Education among Working Women

Interpretation

The data shows that a majority of working women believe financial education is important. Most respondents **strongly agree (62%)** and **agree (30%)**, indicating a very high level of awareness about its importance. Only a small number are **neutral (5%)** or **disagree (1%)**.

Overall, the results clearly highlight that **financial education is widely recognized as essential**, supporting its strong impact on financial decision-making among working women.

3. What challenges do you face in financial management

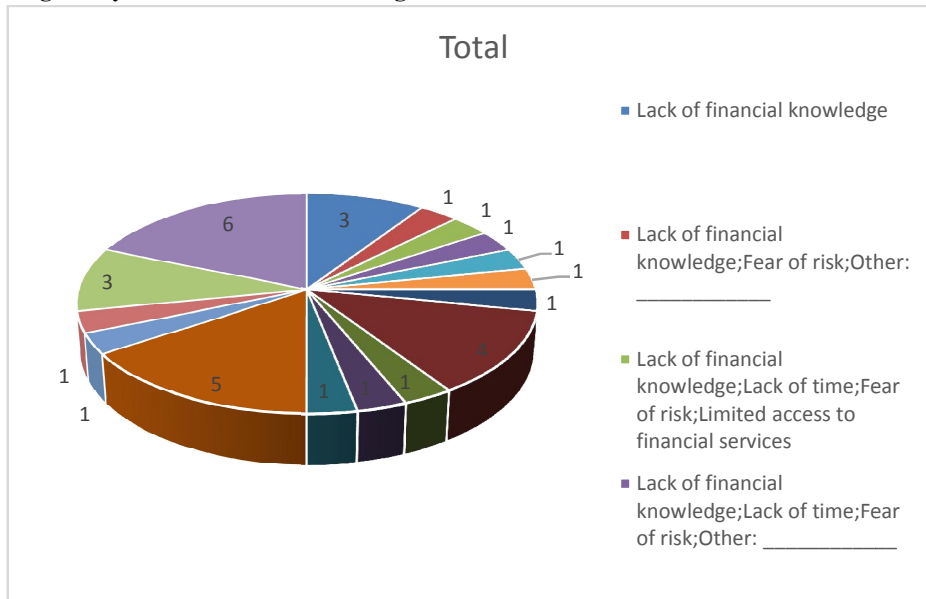


Chart No 3. Challenges Faced by Working Challenges Women in Financial Management



Interpretation

The data indicates that the major challenges faced by working women in financial management include **lack of financial knowledge, low income, fear of risk, and lack of time**. Among these, **low income and fear of risk** appear most frequently, showing their strong impact on financial decisions.

Additionally, some respondents face **limited access to financial services**, though this is less common. The presence of multiple combined responses suggests that these challenges are **interrelated rather than isolated**.

Overall, the findings highlight that **both economic constraints and lack of financial literacy act as key barriers**, affecting effective financial decision-making among working women.

IV. FINDINGS OF THE STUDY

The study reveals that working women generally possess a moderate level of financial literacy, with most having basic knowledge related to savings, budgeting, and traditional financial instruments. However, their understanding of advanced financial products such as mutual funds, stock markets, and retirement planning remains limited. The findings clearly indicate that financial literacy has a significant positive impact on financial decision-making. Women who are more financially aware tend to make informed choices regarding savings, investments, and risk management. It was also observed that a majority of working women prefer safe and low-risk investment options like fixed deposits and insurance, reflecting a cautious financial approach. Factors such as education level and income play an important role in influencing financial literacy, as women with higher education and income levels demonstrate better financial understanding and decision-making abilities. Additionally, while most respondents show a strong inclination towards regular savings, many lack proper financial planning and diversification strategies. The study further highlights that some working women rely on family members or financial advisors when making financial decisions due to a lack of confidence or insufficient knowledge. Overall, the findings emphasize the need for effective financial education and awareness programs to enhance financial literacy, which in turn can improve financial independence and decision-making capabilities among working women.

Suggestions

Suggestions for the Study

Enhance Financial Education Programs

Organize workshops, seminars, and training sessions to improve financial knowledge among working women.

Promote Awareness of Investment Options

Encourage awareness about diversified investment avenues like mutual funds, SIPs, and pension plans.

Encourage Risk Understanding

Provide guidance to reduce fear of risk and help women make informed investment decisions.

Improve Access to Financial Services

Ensure easy access to banking, digital finance, and advisory services, especially for all income groups.

Time-Friendly Financial Tools

Promote simple and digital financial planning tools to help women manage finances despite busy schedules.

V. CONCLUSION

The study clearly indicates that working women possess a high level of awareness regarding the importance of financial education, as most respondents agree that it is essential for effective financial management. This positive perception reflects a growing recognition of the need for financial knowledge in today's dynamic economic environment. However, despite this awareness, the actual usage of financial products shows a strong preference for traditional and low-risk investment options, particularly fixed deposits and recurring deposits. Limited participation in market-linked instruments such as mutual funds suggests moderate financial literacy, risk aversion, and lack of confidence in handling complex financial products.



The study also identifies key challenges faced by working women, including low income, lack of financial knowledge, fear of risk, and time constraints. These factors act as significant barriers, restricting their ability to make informed and diversified financial decisions. In some cases, lack of access to financial services further limits their participation in financial planning. Overall, the findings confirm that financial literacy has a direct and significant impact on financial decision-making. Women with better financial knowledge are more likely to invest wisely, diversify their portfolios, and plan for long-term financial security.

Therefore, the study suggests that improving financial literacy through education, awareness programs, and accessible financial services can empower working women to make better financial decisions, reduce dependency, and achieve greater financial independence and stability.

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