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Role Of Financial Literacy in Shaping Investment Behaviour among Women in Madurai District

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Abstract: Financial literacy plays an important role in enabling women to make informed investment decisions and achieve long-term financial security. The present study examines the role of financial literacy in shaping investment behaviour among women in Madurai District. The study is based on primary and secondary data, with primary data collected from 100 women respondents through a structured questionnaire. The study aims to assess the level of financial literacy among women and examine the association between their socio-economic characteristics and investment behaviour. The collected data were analysed using the Statistical Package for the Social Sciences (SPSS). The Chi-Square test was used to examine the association between socio-economic characteristics and investment behaviour, while mean and standard deviation were used to assess the level of financial literacy. The findings reveal that age, education, occupation, monthly income, and marital status have a significant association with investment behaviour at the 5 per cent level of significance. The overall mean score of financial literacy is 3.57, indicating a moderate level of financial literacy among women. The respondents demonstrate relatively better knowledge of insurance products, savings and investment, and risk and return, while knowledge of shares, mutual funds, and investment diversification requires further improvement. The study concludes that strengthening financial literacy through targeted education, investment guidance, and awareness programmes can help women make more informed investment decisions and enhance their financial independence and long-term financial security.

Keywords: Financial Literacy, Investment Behaviour, Women Investors, Investment Decisions, Financial Awareness, Madurai District.

Introduction

Financial literacy has become an essential factor in improving individuals' ability to manage their financial resources effectively. It enables individuals to understand financial concepts, investment products, risks, returns, savings, and financial planning. Women increasingly participate in economic activities and contribute significantly to household financial decision-making. However, differences in financial knowledge and access to financial information may influence their investment choices. Financial literacy helps women evaluate various investment alternatives and select options according to their financial needs and objectives.

It also improves their understanding of risk and return, thereby encouraging more informed investment decisions. Women with higher levels of financial literacy are more likely to compare investment products before committing their savings. They may also demonstrate greater confidence in investing in formal financial instruments such as bank deposits, mutual funds, insurance, shares, and pension schemes. Financial literacy can therefore play an important role in reducing dependence on informal financial advice and unplanned investment practices. Investment behaviour is influenced by several factors, including income, age, education, risk tolerance, financial goals, and investment experience. Among these factors, financial knowledge is particularly important because it influences how individuals perceive investment opportunities and risks. Kumar et al. (2024)

In the present financial environment, women need adequate financial knowledge to protect their savings and achieve long-term financial security. Improved financial literacy can encourage women to develop systematic saving and investment habits. It can also help them plan for important financial goals such as education, housing, retirement, and family security. Madurai District comprises women from diverse socio-economic, educational, occupational, and income backgrounds. These differences may result in variations in financial literacy levels and investment preferences among women. Understanding the relationship between financial literacy and investment behaviour is therefore important for identifying the factors that influence women's financial decisions. The study examines how financial literacy contributes to the investment behaviour of women in Madurai District.

Statement Of The Problem

Financial literacy is essential for women to make informed and effective investment decisions. Women today are increasingly participating in savings and investment activities for their financial security. However, differences in financial knowledge, awareness, income, education, and investment experience may affect their investment behaviour. Limited financial literacy may lead to dependence on others and preference for traditional investment avenues. Women may also face difficulties in understanding investment risk, return, liquidity, and financial planning. Madurai District consists of women from diverse socio-economic and demographic backgrounds, resulting in varied investment preferences and behaviours. Therefore, it is important to examine the extent of financial literacy among women and its influence on their investment decisions. The study attempts to identify whether financial literacy encourages planned, informed, and risk-conscious investment behaviour. Hence, the present study focuses on the role of financial literacy in shaping investment behaviour among women in Madurai District. Chauhan et al. (2024)

Review Of Literature

Lusardi and Mitchell (2014) examined the importance of financial literacy in household financial decision-making and highlighted that financial knowledge plays a significant role in saving, investment, and retirement planning. The study emphasized that individuals with greater financial literacy are more capable of evaluating financial products and making informed financial decisions.

Guiso and Jappelli (2008) investigated the relationship between financial literacy and household investment behaviour. Their findings indicated that financial knowledge influences participation in financial markets and contributes to better investment decisions. The study suggested that inadequate financial literacy can restrict individuals from taking advantage of available investment opportunities.

Van Rooij, Lusardi, and Alessie (2011) studied the relationship between financial literacy and stock market participation. The findings revealed that financially literate individuals were more likely to invest in stocks and possessed a better understanding of financial markets. The study demonstrated that financial literacy is an important determinant of investment participation. Swain et al. (2024)

Atkinson and Messy (2012) examined financial literacy among individuals across different countries and found considerable differences in financial knowledge, financial behaviour, and attitudes. The study emphasized the need for financial education to encourage responsible saving and investment behaviour.

Mahdzan and Tabiani (2013) investigated the influence of financial literacy on household savings. Their study found that financial literacy significantly contributes to saving behaviour and helps individuals make more appropriate financial decisions. The authors suggested that improving financial knowledge could enhance long-term financial planning.

Kumar and Anees (2013) examined financial literacy and investment behaviour among Indian investors. The study indicated that financial knowledge, risk perception, and awareness of investment avenues influence investment decisions. It also highlighted the importance of financial education in encouraging individuals to select suitable investment instruments.

Rooij et al. (2011) further established that individuals with higher levels of financial literacy were more likely to understand complex financial concepts and participate in investment markets. Their findings suggest that financial literacy can improve investors' confidence and ability to evaluate risk and return.

Potrich, Vieira, and Kirch (2015) developed a financial literacy model incorporating financial attitude, behaviour, and knowledge. Their findings demonstrated that these dimensions are closely associated with financial decision-making and investment-related behaviour. The study emphasized that financial literacy should be viewed as a multidimensional concept rather than financial knowledge alone.

Hastings, Madrian, and Skimmyhorn (2013) reviewed the role of financial literacy and financial education in improving financial outcomes. They concluded that financial knowledge can influence financial behaviour, although the effectiveness of financial education depends on the nature and timing of the intervention.

Lusardi and Tufano (2015) examined financial literacy and the ability of individuals to understand debt-related concepts. Their study found that limited financial knowledge can result in poor financial decisions and greater financial vulnerability. The findings reinforce the importance of financial literacy for sound financial management.

Research Gap

Existing studies have established that financial literacy plays an important role in influencing investment decisions and financial behaviour. However, limited research has focused specifically on women investors. Most previous studies have examined investors in general rather than women as a separate group. There is also limited district-level research on women's financial literacy and investment behaviour. Women differ in their financial knowledge, income, education, occupation, and investment experience. These differences may influence their choice of investment avenues and risk-taking behaviour. Limited evidence is available on the extent to which financial literacy shapes women's investment decisions in Madurai District. Therefore, there is a need to examine the relationship between financial literacy and investment behaviour among women. The present study seeks to address this gap by focusing specifically on women in Madurai District. Thus, the study provides a local empirical perspective on the role of financial literacy in shaping investment behaviour among women.

Objectives

- To examine the association between the socio-economic characteristics of women and their investment behaviour.
- To assess the level of financial literacy among women in Madurai District

Research Methodology

Data Collection And Sample

The study is based on both primary and secondary data. To carry out the Primary data collection, a structured questionnaire was prepared based on research objectives. Secondary data required for the study undertaken were collected through Websites, Magazines, Journals, and the like. The primary data were collected from 100 respondents for the study.

Data Analysis

Collected data were analyzed with the help of the software package Statistical Package for Social Sciences was used for data analysis.

Scope Of The Study

The study focuses on examining the role of financial literacy in shaping the investment behaviour of women in Madurai District. It covers women's knowledge and understanding of various financial and investment products. The study considers investment avenues such as bank deposits, insurance, gold, mutual funds, shares, postal savings, and pension schemes. It also examines factors such as risk perception, return expectations, investment objectives, and investment preferences. The study considers the influence of socio-economic factors such as age, education, occupation, income, and investment experience. The findings may help financial institutions and policymakers develop suitable financial literacy programmes for women. The study is geographically confined to Madurai District and focuses specifically on women investors.

Data Analysis And Interpretation

Hypotheses:

H_0: There is no significant association between the socio-economic characteristics of women and their investment behaviour.

H_1: There is a significant association between the socio-economic characteristics of women and their investment behaviour.

Table No 1 Association Between Socio-Economic Characteristics And Investment Behaviour

Socio-economic Variable	Chi-Square Value (χ^2)	df	p-value	Result
Age	8.420	3	0.038	Significant
Education	10.760	4	0.029	Significant
Occupation	9.310	3	0.025	Significant
Monthly Income	12.580	3	0.006	Significant
Marital Status	6.210	1	0.013	Significant

Level of significance: 5% (0.05)

The calculated Chi-Square value for age is 8.420 with 3 degrees of freedom and a p-value of 0.038. Since the p-value is less than the 0.05 level of significance, the null hypothesis is rejected.

The Chi-Square value for educational qualification is 10.760, with 4 degrees of freedom, and the p-value is 0.029. As the p-value is below 0.05, the result is statistically significant. Therefore, the null hypothesis is rejected, indicating a significant association between education and investment behaviour.

The calculated Chi-Square value for occupation is 9.310, with 3 degrees of freedom, and the p-value is 0.025. Since the p-value is less than 0.05, the association is statistically significant. Hence, the null hypothesis is rejected. This indicates that occupation is significantly associated with women's investment behaviour.

The Chi-Square value for monthly income is 12.580, with 3 degrees of freedom, and the p-value is 0.006. Since the p-value is considerably lower than 0.05, the result shows a highly significant association between monthly income and investment behaviour. Therefore, the null hypothesis is rejected.

The calculated Chi-Square value for marital status is 6.210, with 1 degree of freedom, and the p-value is 0.013. Since the p-value is less than 0.05, the result is statistically significant. Hence, the null hypothesis is rejected. This indicates that marital status has a significant association with the investment behaviour of women.

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The results reveal that age, education, occupation, monthly income, and marital status are significantly associated with the investment behaviour of women. Among these variables, monthly income has the lowest p-value is 0.006, indicating comparatively strong evidence of an association with investment behaviour. The findings suggest that women's demographic and socio-economic characteristics should be considered when designing financial literacy programmes and investment products. Financial institutions can develop customized investment awareness programmes based on women's income levels, age groups, educational backgrounds, occupations, and family circumstances.

Table No 2 Level Of Financial Literacy Among Women

Financial Literacy Statements	Mean	Std. Deviation	Level
Knowledge of savings and investment	3.82	0.84	High
Understanding of interest rates	3.65	0.91	Moderate
Knowledge of inflation	3.48	0.96	Moderate
Understanding of risk and return	3.76	0.87	High
Knowledge of mutual funds	3.21	1.02	Moderate
Knowledge of insurance products	3.94	0.79	High
Knowledge of shares and securities	3.15	1.08	Moderate
Understanding of investment diversification	3.42	0.98	Moderate
Knowledge of retirement planning	3.58	0.92	Moderate
Ability to compare investment alternatives	3.71	0.86	High
Overall Financial Literacy	**3.57**	**0.91**	**Moderate**

The Table no 2 shows the level of financial literacy among women in Madurai District based on their mean scores. The overall mean score of 3.57 indicates that women have a moderate level of financial literacy.

Among the different aspects, knowledge of insurance products records the highest mean score of 3.94, indicating that women have relatively good knowledge of insurance-related financial products. This is followed by knowledge of savings and investment, with a mean score of 3.82, and understanding of risk and return, with a mean score of 3.76. These results indicate that women are relatively familiar with basic savings, investment, insurance, and risk-related concepts.

The ability to compare different investment alternatives has a mean score of 3.71, which also falls under the high level. This suggests that a considerable proportion of women are capable of comparing investment options before making financial decisions.

On the other hand, knowledge of shares and securities has the lowest mean score of 3.15, indicating a moderate level of knowledge. Similarly, knowledge of mutual funds records a mean score of 3.21, suggesting that women may have comparatively less familiarity with market-linked investment products. Understanding diversification, inflation, retirement planning, and interest rates also falls within the moderate category.

The standard deviation values range from 0.79 to 1.08, indicating some variation in the responses of the women regarding their financial literacy. Overall, the findings suggest that although women possess a reasonable understanding of basic financial concepts, there is scope for improving their knowledge of market-linked investments, diversification, inflation, and retirement planning.

It can be concluded that the women respondents in Madurai District possess a moderate level of financial literacy. They demonstrate better knowledge of savings, insurance, risk and return, and basic investment concepts, while their knowledge of shares, mutual funds, and diversification requires further improvement. Therefore, targeted financial education programmes can help women develop greater confidence and make more informed investment decisions.

Suggestions

- Financial institutions and educational organisations should conduct regular financial literacy programmes to improve women’s knowledge of savings, investments, risk, return, mutual funds, shares, and retirement planning.
- Women should be encouraged to learn about diversified investment options such as mutual funds, shares, pension schemes, and other market-linked instruments rather than depending mainly on traditional investment avenues.
- Banks and financial institutions should provide simple, accessible, and women-focused investment counselling to help women evaluate investment alternatives and make independent financial decisions.
- Women should be encouraged to develop regular saving and investment habits based on their income, financial goals, risk tolerance, and future requirements, thereby improving their long-term financial security and independence.

Conclusion

The study concludes that financial literacy plays an important role in shaping the investment behaviour of women in Madurai District. The findings indicate that women possess a moderate level of financial literacy, with relatively better knowledge of savings, insurance, risk, and return. However, their knowledge of market-linked investment avenues such as shares and mutual funds requires further improvement. The study also reveals that socio-economic characteristics such as age, education, occupation, monthly income, and marital status are significantly associated with investment behaviour. This indicates that women’s financial circumstances and background influence their investment preferences and decisions. Improving financial literacy can help women understand different investment alternatives, evaluate risk and return, and make more independent financial decisions. Therefore, greater access to financial education, investment guidance, and awareness programmes is essential for strengthening women’s financial capability. Overall, enhancing financial literacy can contribute to planned investment, financial independence, wealth creation, and long-term financial security among women in Madurai District.

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