Impact of Financial Literacy on Financial Decision-Making: Insights from Urban Working Women in Jaipur, Rajasthan

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ABSTRACT

This study investigates the impact of financial literacy on financial decision-making among urban working women in Jaipur, Rajasthan. Financial literacy, encompassing understanding financial concepts and effectively applying this knowledge, is critical for making informed financial decisions. The research explores how varying levels of financial literacy influence financial decision-making across different age categories. A survey of 115 working women from banks and universities in Jaipur provided data on their financial behaviors, knowledge, and decision-making patterns. The analysis utilized regression techniques to evaluate the relationship between financial literacy and decision-making. Findings reveal that financial literacy significantly affects financial decision-making in the 26-35 and over 45 age groups, though its impact is less pronounced in the 18-25 age group. These results highlight the need for targeted financial education programs that address the specific needs of different age groups to improve financial outcomes.

Keywords: *Financial Literacy, Financial Decision-Making, Urban Working Women, Jaipur, Age Differences*

INTRODUCTION

In today's challenging financial environment, financial understanding has become essential, enhancing people's capacity to make prudent and efficient decisions with respect to their financial resources (Lusardi & Mitchell, 2014). The idea includes having a comprehension of financial theories and merchandise, being able to use this information when making decisions, and having the self-assurance to handle personal money well. Several research works have emphasized the significance of financial literacy in enhancing financial decision-making, mitigating financial hardship, and advancing comprehensive financial welfare (Huston, 2010; Atkinson & Messy, 2012). Particularly in emerging nations like India, urban working women frequently confront significant financial difficulties. These difficulties include managing two salaries, preparing for long-term financial security, and striking a balance between household duties and career goals (Sinha, 2011). By enabling these women to make wiser financial decisions, financial education can significantly contribute to their increased financial stability and independence. Higher levels of financial literacy among women have been linked to better debt management, more successful investing and saving practices, and more financial confidence, according to research (Chen & Volpe, 2002; Lusardi & Tufano, 2015). The number of urban working women is increasing in Jaipur, the capital of Rajasthan; this is consistent with general trends in Indian cities where women are increasingly participating in the workforce (Bhushan & Medury, 2013). Though this is a positive development, a large number of Jaipur's urban working women still do not have sufficient financial literacy, which might make it difficult for them to make wise financial decisions. This disparity highlights the necessity of focused financial education initiatives meant to improve the financial literacy of urban working women in this area (Agarwalla, Barua, Jacob, & Varma, 2015). This study aims to explore the impact of financial literacy on

the financial decision-making processes of urban working women in Jaipur, Rajasthan. By examining their financial behaviors, knowledge levels, and decision-making patterns, this research seeks to provide insights into how financial education can be tailored to meet the specific needs of this demographic group.

LITERATURE REVIEW

Chen and Volpe (2002) investigated the disparities in financial literacy between college students based on gender. 924 college students from various US universities participated in a survey that was part of their study. By employing regression analysis, t-tests, and descriptive statistics, they discovered that male students had better financial literacy than female students. The study also showed that age, work experience, and financial education background were strongly connected with financial literacy. After a thorough assessment and analysis of the available financial literacy measures, Huston (2010) created a complete financial literacy test. Using factor analysis, the research presented a novel measure that encompasses both knowledge and application dimensions and measures a broad range of financial literacy topics. Comparing this assessment instrument to earlier ones, the holistic approach offers a more comprehensive analysis of financial literacy.

The theory and data about the economic significance of financial literacy were examined by Lusardi and Mitchell (2014). Financial literacy has a major impact on saving, investing, and retirement planning behaviors, as shown by their meta-analysis of empirical research and theoretical models. The study made clear how financial education initiatives can help people's financial situations. Atkinson and Messy (2012) carried out a pilot study to use a standardized tool to test financial literacy levels worldwide. Descriptive statistics and cross-country comparisons were used in the study, which comprised surveys in 14 countries. The results showed that there were notable differences in financial literacy levels among the various nations, but there were also similar deficiencies in knowledge of fundamental financial concepts and assurance in handling personal finances.

Through a survey of 500 people, Bhushan and Medury (2013) determined the factors influencing financial literacy among adult Indians living in cities. Through the application of regression analysis and descriptive statistics, they discovered that occupation, income, and education are important factors that influence financial literacy. Higher incomes and educational attainment are linked to improved financial literacy, according to the study. Using a survey of 500 young professionals in significant Indian cities, Agarwalla et al. (2015) evaluated the financial literacy of young working professionals in urban India. Descriptive statistics, t-tests, and regression analysis were used in the study. The results showed that young professionals had comparatively poor levels of financial literacy and considerable knowledge gaps regarding retirement planning and investments. A stronger correlation was found between increased financial literacy and financial education.

Utilizing survey data from a national sample of Americans, Lusardi and Tufano (2015) examined the connection between over indebtedness and debt literacy. By use of regression analysis and descriptive statistics, the study discovered a correlation between elevated levels of over indebtedness and inadequate debt literacy. Additionally, the results showed that debt is better managed by those with more financial expertise and education. In a survey of 600 people, Sinha (2011) investigated the variables affecting financial literacy among Delhi residents. Descriptive statistics and multiple regression analysis were used in the study. The results showed that the main variables influencing financial literacy are exposure to financial information, income, and education. There were gender inequalities noted, with men often displaying higher levels of literacy.

Collins (2012) conducted interviews with financial advisors and their clients as well as a survey to investigate if financial advice can take the place of financial literacy. Financial advice enhances financial

behaviors, but it does not completely replace financial knowledge, according to a study that used correlation analysis and descriptive statistics. Financial counsel is more beneficial to clients who are better informed about money. A longitudinal study of high school pupils who received financial literacy instruction was used by Mandell and Klein (2009) to evaluate the long-term effects of the program on financial behaviors. The study discovered that financial literacy instruction greatly enhances long-term financial behaviors, such as budgeting, credit management, and saving. It did this by using regression analysis and descriptive statistics.

OBJECTIVES

- To understand the manner, financial literacy and aptitudes impact working women's decisions for their financial management.
- To compare the effectiveness of decisions in regard to financials as an outcome of financial literacy, attitudes, and behaviors among working women across different age groups.

RESEARCH METHODOLOGY

A well-structured questionnaire was utilized to conduct a survey in Jaipur district of Rajasthan state. The primary survey involved 115 women working in banks and universities, who shared their experiences regarding financial capability and its influence on their decision-making. Regression analysis was then conducted to determine the impact of Financial Literacy on Financial Decision making.

RESULTS AND DISCUSSION

Impact of Financial Capability on financial decision making:

H01 (Null Hypothesis): Financial capability has no significant impact on financial decision-making.

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.867	.098		19.139	.000
	Financial Capability Score (%)	.025	.002	.557	15.278	.000
a. Dependent Variable: Financial Decision making						

Model Summary (F=233.411, Sig.=.000)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
1	.557	.311	.309	.40093	233.411	.000
a. Predictors: (Constant), Financial Capability						

The correlation coefficient (R) is 0.557, indicating a moderate to strong positive relationship between financial capability and financial decision-making. The R-squared value is 0.311, meaning that approximately 31.1% of the variance in financial decision-making can be explained by financial capability. The F-statistic of 233.411, with a significance level of 0.000, confirms that the overall regression model is statistically significant. Given the significance value of 0.000, which is less than 0.05, we reject the null hypothesis and accept the alternative hypothesis. This indicates that financial capability significantly impacts financial decision-making. In conclusion, the regression analysis demonstrates that financial capability is a significant predictor of financial decision-making among the surveyed participants. A higher financial capability score is associated with better financial decision-making, as evidenced by the positive and statistically significant coefficients. The model explains a substantial portion of the variance in financial decision-making, underscoring the importance of financial capability in influencing financial decisions.

Age category wise impact of Financial Capability on Financial Decision Making:

H02 (Null Hypothesis): Financial capability has no significant impact on financial decision-making across different age categories.

Model Summary

Age Range		R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
18-25	1	.142[a]	.020	-.002	.40521	.920	.343
26-35	1	.579[a]	.335	.331	.40395	77.562	.000
45>	1	.524[a]	.275	.273	.39244	119.413	.000

a. Predictors: (Constant), Financial Capability

Coefficients

Age Range			Unstandardized Coefficients		Standardized Coefficients	t	Sig.
			B	Std. Error	Beta		
18-25	1	(Constant)	2.692	.329		8.185	.000
		Financial Capability	.006	.007	.142	.959	.343
26-35	1	(Constant)	1.781	.170		10.464	.000
		Financial Capability	.026	.003	.579	8.807	.000
45>	1	(Constant)	1.925	.139		13.888	.000
		Financial Capability	.025	.002	.524	10.928	.000

a. Dependent Variable: Financial Decision making

The regression analysis examines the impact of financial capability on financial decision-making across three age categories: 18-25, 26-35, and over 45. For the 18-25 age group, financial capability does

not significantly influence financial decision-making (R^2 = 0.020, p = 0.343). In contrast, financial capability significantly impacts financial decision-making in the 26-35 (R^2 = 0.335, p = 0.000) and over 45 (R^2 = 0.275, p = 0.000) age groups, indicating a moderate positive correlation.

Age category wise impact of Financial Literacy on Financial Decision Making

H03 (Null Hypothesis): Financial literacy has no significant impact on financial decision-making across different age categories.

Model Summary

Age Range		R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
18-25	1	.0261	.001	-.022	.40920	.030	.864[b]
26-35	1	.332	.111	.105	.46704	19.226	.000[b]
45>	1	.257	.064	.061	.44593	21.444	.000[b]

a. Predictors: (Constant), Financial Literacy

Coefficients

Age Range			Unstandardized Coefficients		Standardized Coefficients		
			B	Std. Error	Beta	t	Sig.
18-25	1	(Constant)	2.992	.086		34.929	.000
		Financial Literacy	.001	.003	.026	.172	.864
26-35	1	(Constant)	2.966	.075		39.336	.000
		Financial Literacy	.307	.002	.333	4.385	.000
45>	1	(Constant)	3.150	.064		49.579	.000
		Financial Literacy	.206	.001	.252	4.631	.000

a. Dependent Variable: Financial Decision making

The regression analysis investigates the impact of financial literacy on financial decision-making across different age categories: 18-25, 26-35, and over 45. For the 18-25 age group, the results indicate that financial literacy does not significantly influence financial decision-making (R^2 = 0.001, p = 0.864), with a very weak positive correlation (Beta = 0.026). The R^2 value of 0.001 suggests that only 0.1% of the variance in financial decision-making is explained by financial literacy, indicating that the model has almost no explanatory power for this age group. For the 26-35 age group, financial literacy significantly impacts financial decision-making (R^2 = 0.111, p = 0.000), with a moderate positive correlation (Beta = 0.333). The R^2 value of 0.111 indicates that 11.1% of the variance in financial decision-making is explained by financial literacy. While this is a relatively low percentage, it is statistically significant, showing that financial literacy has a meaningful, though modest, impact on financial decision-making in this age group. For the over 45 age group, financial literacy also significantly influences financial decision-making (R^2 = 0.064, p = 0.000), with a weaker correlation compared to the 26-35 age group (Beta = 0.252). The

R^2 value of 0.064 indicates that 6.4% of the variance in financial decision-making is explained by financial literacy. Although this percentage is relatively low, it is statistically significant, suggesting that financial literacy has a small but significant impact on financial decision-making in this age group.

CONCLUSION

The analysis highlights the varying impact of financial literacy and financial capability on financial decision-making across different age categories. Financial capability significantly influences financial decision-making in both the 26-35 and over 45 age groups, demonstrating a moderate positive correlation. In contrast, for the 18-25 age group, financial capability does not have a significant impact, indicating that other factors might be more influential in this demographic. Similarly, financial literacy significantly impacts financial decision-making in the 26-35 and over 45 age groups, though to a lesser extent compared to financial capability. Again, financial literacy does not significantly affect financial decision-making for the 18-25 age group, suggesting that younger individuals might rely on different aspects or sources of knowledge when making financial decisions. These findings emphasize the importance of financial education and capability development, particularly for individuals in the middle and older age groups, where the impact on decision-making is more pronounced. However, for younger individuals, it may be beneficial to explore other areas that influence their financial decisions. The relatively low explanatory power of the models indicates that incorporating additional factors could provide a more comprehensive understanding of what drives financial decision-making across different age groups.

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