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Original Research Paper

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IMPACT OF FINANCIAL LITERACY ON INVESTMENT DECISION OF WORKING WOMEN AT PATAN DISTRICT: AN IN-DEPTH STUDY

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ABSTRACT This study examines the effect of financial Literacy on investment decision making among investors in Patan District. Financial literacy is expressed in terms of knowledge and awareness while investors decision-making is described as the act of investors and the way they interpret, anticipate, investigate, and assess the steps and transaction for decision making. This includes investment risk, investment decision model and process. To achieve the research objective, an quantitative approach was applied in which 150 self-administered questionnaires were collected using convenience sampling. The data was analyzed using SPSS software. Descriptive statistics were identified and proposed hypotheses were tested using Pearson correlation and multi-regression analysis. Results showed showed a positive significant relationship between financial literacy and investment decision making.

KEYWORDS : Financial Literacy, Decision Making, Working Women.

INTRODUCTION

The business world is developing, growing and expanding rapidly. In order to make revenues and gains in the future, investors or shareholders must be knowledgeable and qualified about investment decision so they can evaluate the potential investment and the most profitable business to spend their money based on their capital and returns, the time they will stick their money in long-term or short-term, the risk of investing in specific sector, and the opportunities they have. Musundi (2014) stated that investment decision is the consciousness of different alternative investment opportunities, investment securities and realization of the benefit that comes with investment (Akims & Jagongo, 2017). This is why it is significant for investors to be conscious of Financial Literacy to attain the most profitable decision in investing their money. Hogarth (2002) defined financial literacy as "the way people understand and use knowledge of basic financial concepts to plan and manage financial decisions as in insuring, investing, saving and budgeting" (Mugo, 2016).

Moreover, investment decision is significant and dynamic in association with different decision that people are intending to make in lifetime for the future, so it is the principle that people want to know about money and be aware about the way it works, besides the availability of different financial products for investment and the concern about the flexibility in managing the financial matters. For a successful investment decision, investors must adapt totally and accurately the potential chances and these decisions ought not to be made in a surge. The incorrect investment decision can lead organizations even to insolvency. It is important to comprehend the fundamental thoughts of the investment decision to get the greatest incentive from the evaluation procedure.

REVIEW OF LITERATURE

Financial literacy was developed by the "Organization for Economic Co-Operation and Development" OECD (2005) which states that: "Financial literacy is the combination of consumers investors understanding of financial products and concepts and their ability and confidence to appreciate financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being." (Madi & Yusof, 2018). In addition, Palm (2014) acknowledges that financial literacy means more than just understanding how things work but also includes making informed choices. Moreover financial literacy also defined as the process which "individuals use a combination of skills, resources, and contextual knowledge to process information and make decisions with knowledge of the financial consequences of that decision" (Edirisinghe, et al., 2017).

AnnamariaLusardi and **Olivia S Mitchell (2011)** in their article titled 'Financial literacy and planning: Implications for retirement wellbeing' studied financial inclusion for retirement and health benefit in US. This survey module study measured how people make financial plans, gather information on investment and implement plan by taking decisions on the selection of investment avenues. The study noticed that financial knowledge and planning are interrelated. Earning, spending and savings reflect on retirement benefits. Financial literacy acts as a key role in portfolio management and savings.

RESEARCH METHODOLOGY

The primary data for this empirical study was collected from the working women in Patan District. The study highlights the financial literacy level and investment decisions of working women. 150 respondents were taken as samples on the basis of the convenience sampling method. The researcher has taken care to see that the respondents represent demographic factors like age, literacy level, and income under this study. In addition to primary data, secondary data has been collected from various published sources, e-journals. Google scholar and Shodhganga were used to gather articles for the purpose of literature review. The ideas drawn from these sources have been incorporated wherever necessary to substantiate the primary data.

This is a correlational research since it studies the correlation among the variables mainly financial literacy and the investment decision making in Patan District. Since, behavioral finance is a field of which quantitative methodology is easily applied to assess the attitudes and opinions of respondents objectively thus, a quantitative methodology was applied in order to reach larger sample of respondents.

Research Objectives

- To measure and access the level of financial literacy of working women in Patan District
- To identify the factors determining the investment decision of working women

RESULTS AND DISCUSSION

Cronbach's alpha is 0.757 for the 15 items, which indicates a high level of internal consistency for the scale with this specific sample. This value is greater than 0.7, which is the minimum required value of statistical significance. Moreover, Measuring of validity is made through exploratory factor analysis (EFA). The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy should be more than 0.5 and the Bartlett's test of sphericity should be significant at $p < 0.05$. The results of validity, both values for financial literacy and investment decision making are greater than 0.5 which are 0.641 and 0.628 respectively, so the validity of data is approved.

Regression analysis was conducted to empirically determine whether financial literacy was a statistically significant determinant of the investment decision making. As shown in the model summary table 3, the goodness fit for the regression between financial literacy manufacturing and financial performance was significant. R squared equals to 0.605 which represents other factors are holding constant, 60.5 of the variations of financial literacy were explained by the variations in investment decision making.

H1 assumed the presence of relationship between financial literacy and investment decision making, thus the Pearson Correlation between financial literacy and investment decision making showed in the table below is statistically significance ($p = 0.00 < 0.01$) and the correlation coefficient $r = 0.778 < 0.3$. Therefore, there is relationship between these variables and H_1 is accepted. The positive correlation exists by 77.8 %, between the two variables indicating the relationship between them.

CONCLUSION

This study arranges confirmations that are coordinated with the previous stated hypotheses. Data analysis documents proved the dependence between "financial literacy and investment decision making" and the existence of a positive meaningful relationship between the mentioned two variables. The confirmed data support also a strong advocacy that the higher financial literacy reached the better investment decision making due to the quality of information based to make the investment decision, the awareness of all or main dimension of investment sector, and the rationality to choose the suitable decision for the investor's capacity and needs. In addition, investors must interpret all the variables in the market rather than taking into consideration only one variable. Finally producing a diversifying portfolio is a must so investors must make a portfolio that contains various shares from various sectors and companies which will lead to a risk minimizing. Investors and companies must keep an eye on developing and enhancing their financial literacy and knowledge since higher financial literacy is positively related to successful investment decision.

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