

## “RELATIONSHIP BETWEEN FINANCIAL LITERACY, CONFIDENCE, AND RISK TOLERANCE AMONG WORKING WOMEN”

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### **Abstract :**

*Working women today play an important role in earning income and managing household finances. Their investment decisions are influenced by how much they know about financial matters, how confident they feel while handling money, and how much financial risk they are willing to take. This study examines the relationship between financial literacy, financial confidence, and risk tolerance among working women.*

*Financial literacy refers to basic knowledge of savings, investments, interest rates, inflation, insurance, and financial planning. Financial confidence means trusting one's ability to make correct financial decisions. Risk tolerance is the level of financial risk a person is ready to accept while investing. Understanding these factors is important because they affect how women manage and invest their money.*

*The study is based on primary data collected from working women using a structured questionnaire. The findings show that women with higher financial literacy have greater confidence in managing their finances. As confidence increases, women become more willing to take calculated financial risks. Financially knowledgeable women are also more likely to invest in a variety of financial products instead of depending only on low-risk and low-return options.*

*The study concludes that improving financial literacy among working women can increase their confidence and risk-taking ability. Financial education programs can help women make better investment decisions and achieve long-term financial security.*

**Keywords :** Financial Literacy, Financial Confidence, Risk Tolerance, Working Women, Investment Decision-Making, Financial Behavior, Risk Perception, Savings and Investment, Women Empowerment, Financial Decision-Making.

### **Introduction :**

In present economic environment, working women play an important role not only in earning income but also in managing household finances. As more women join the



workforce, they are increasingly involved in financial decisions such as saving money, investing, buying insurance, and planning for retirement. However, the quality of these financial decisions depends largely on how much financial knowledge they have, how confident they feel while handling money, and how much risk they are willing to take.

**Financial literacy** is the basic understanding of money matters such as savings, interest rates, inflation, investment options, and risk management. A financially literate person can plan expenses better, choose suitable investment options, and ensure financial stability in the long run. However, many working women still have limited financial education, which makes it difficult for them to take informed financial decisions.

**Financial confidence** means believing in one's own ability to manage money and make financial decisions. Even if women earn well and have some financial knowledge, lack of confidence may stop them from making independent investment decisions. Many working women depend on family members or financial advisors because they fear making wrong decisions or losing money. Low confidence reduces their participation in investments and limits wealth creation.

**Risk tolerance** refers to how much financial risk a person is willing to accept while investing. People with high risk tolerance are more willing to invest in shares and mutual funds, while those with low risk tolerance prefer safer options like fixed deposits and savings accounts. Working women often have lower risk tolerance due to uncertainty, family responsibilities, and lack of financial awareness.

Financial literacy, confidence, and risk tolerance are closely related. Better financial knowledge increases confidence, and higher confidence helps women take calculated financial risks. When women understand financial products and feel confident, they are more likely to choose suitable investments that can provide better returns.

This study aims to examine the relationship between financial literacy, financial confidence, and risk tolerance among working women. Understanding this relationship is important for developing effective financial education programs and policies that help women make informed and confident financial decisions, leading to long-term financial security and independence.

### **Review of Literature :**

Many studies have studied how financial literacy affects financial behavior and investment decisions. Researchers have found that financial literacy plays an important role in how people save money, choose investment options, and plan for the future. People who have better financial knowledge can understand financial products easily, judge risks properly, and make better financial decisions.

Several studies show that women generally have lower financial literacy compared to men. This difference is mainly due to limited access to financial education, social restrictions, and less involvement in financial decision-making in the past. Research also shows that working women who have higher financial literacy are more likely to invest in options such



as mutual funds, shares, and retirement plans, instead of depending only on traditional savings methods.

Studies related to financial confidence explain that confidence is very important in making financial decisions. Even if people have some financial knowledge, lack of confidence can stop them from making independent decisions. Many studies show that women often do not feel confident about their financial abilities and therefore depend on family members or financial advisors. Higher financial confidence helps women make better decisions and take part more actively in investment activities.

Research on risk tolerance shows that women usually prefer safer investment options and have lower risk tolerance than men. This is mainly because of fear of losing money, family responsibilities, unstable income, and limited financial awareness. Researchers also suggest that people with better financial knowledge are more willing to take financial risks because they understand how to manage them.

Some studies have examined financial literacy, confidence, and risk tolerance together. These studies explain that financial literacy increases confidence, and higher confidence helps people take calculated risks while investing. Financial education and awareness programs have been found to improve confidence and encourage women to take better investment decisions.

Overall, previous studies clearly show that financial literacy, confidence, and risk tolerance are closely connected and strongly influence the investment behavior of working women. However, many researchers point out that more region-specific studies are needed to better understand the financial behavior of working women and to design effective financial literacy programs.

### **Objectives of Study :**

- 1. To assess the level of financial literacy among working women**  
This objective seeks to understand the knowledge of working women regarding basic financial concepts such as savings, interest rates, inflation, investment options, insurance, and retirement planning.
- 2. To examine the level of financial confidence among working women**  
This objective aims to study how confident working women are in managing money, making financial decisions, and handling investments independently.
- 3. To analyze the level of risk tolerance among working women**  
This objective focuses on identifying the extent of financial risk that working women are willing to take while investing in various financial instruments.
- 4. To study the relationship between financial literacy and financial confidence**  
This objective examines whether an increase in financial knowledge leads to higher confidence in financial decision-making among working women.



**5. To examine the relationship between financial literacy and risk tolerance**

This objective aims to analyze whether working women with higher financial literacy are more willing to take calculated financial risks.

**6. To analyze the relationship between financial confidence and risk tolerance**

This objective studies whether higher financial confidence among working women results in greater willingness to accept investment risk.

**7. To suggest measures for improving financial literacy, confidence, and investment behavior among working women**

This objective focuses on recommending suitable strategies and programs to enhance financial knowledge, confidence, and informed investment decisions among working women.

**Conceptual Framework :**

**1. Financial Literacy :**

Financial literacy refers to the **level of understanding and knowledge a working woman possesses regarding financial matters**. It represents the foundation for effective financial decision-making. Financial literacy includes knowledge of the following aspects:

- **Saving and budgeting** : Understanding the importance of regular savings and effective management of income and expenses.
- **Interest rates and inflation** : Awareness of how interest rates affect savings and loans, and how inflation reduces the purchasing power of money over time.
- **Investment options** : Knowledge of various investment instruments such as fixed deposits, mutual funds, shares, and other financial assets.
- **Insurance and retirement planning** : Understanding the role of insurance for risk protection and the importance of long-term financial planning for retirement.

Greater financial literacy enables working women to **analyze financial choices more accurately and make informed financial decisions**.

**2. Financial Confidence :**

Financial confidence refers to the **degree of self-assurance a working woman has in managing her personal finances**. It reflects her belief in her ability to handle financial matters effectively. Financial confidence includes confidence in :

- **Managing income and expenses** : Ability to plan, monitor, and control personal finances.
- **Making independent financial decisions** : Confidence to take financial decisions without excessive reliance on others.
- **Selecting appropriate investment options** : Confidence in evaluating and choosing



suitable investment instruments based on financial goals.

When working women possess adequate financial knowledge, they tend to develop **higher confidence in managing and planning their finances.**

### **3. Risk Tolerance :**

Risk tolerance refers to the **willingness of a working woman to accept uncertainty and potential loss while making financial investments.** It indicates her attitude towards financial risk and return. Risk tolerance is reflected in:

- Preference for **low-risk and safe investment options**, such as fixed deposits and savings schemes, or
- Willingness to invest in **moderate to high-risk instruments**, such as mutual funds and equity shares, for higher returns.

Higher financial knowledge and confidence reduce fear and uncertainty, thereby **increasing an individual's ability to take calculated financial risks.**

### **Relationship Between the Variables :**

- **Financial literacy positively influences financial confidence**, as better financial knowledge enhances self-belief in financial decision-making.
- **Financial confidence positively influences risk tolerance**, as confident individuals are more willing to accept reasonable financial risks.
- **Financial literacy also has a direct positive impact on risk tolerance**, as understanding financial concepts reduces uncertainty and perceived risk.

### **Research Methodology :**

This study investigates the **relationship between financial literacy, financial confidence, and risk tolerance among working women.** The methodology used is explained below.

#### **1. Research Design :**

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

- **Descriptive Research :** To examine and understand the current level of financial literacy, financial confidence, and risk tolerance among working women.
- **Analytical Research :** To explore and analyze the relationships between financial literacy, financial confidence, and risk tolerance.

#### **2. Population :**

The population for this study consists of **working women employed across various**



**professional sectors**, including information technology (IT), banking, education, healthcare, and private organizations.

### 3. Sample Size :

A total of **100–200 working women** will be selected for the study. The exact sample size will depend on the **availability and willingness of participants**.

### 4. Sampling Technique :

The study will employ **convenience sampling or simple random sampling** to select participants who are willing to provide responses.

### 5. Data Collection Methods :

#### Primary Data :

- Collected using a **structured questionnaire** comprising three main sections :
  1. **Financial Literacy:** Knowledge related to savings, investments, interest rates, insurance, and retirement planning.
  2. **Financial Confidence:** Self-assurance in managing money, making independent financial decisions, and selecting investment options.
  3. **Risk Tolerance:** Willingness to take financial risks and invest in different types of financial instruments.

#### Secondary Data :

Gathered from **books, journals, research articles, and online sources** related to financial literacy, financial confidence, and investment behavior among working women.

### 6. Key Variables :

- **Independent Variable :** Financial Literacy
- **Mediating Variable :** Financial Confidence
- **Dependent Variable :** Risk Tolerance

### 7. Tools for Data Analysis :

Collected data will be analyzed using the following statistical tools:

- **Percentage Analysis :** To assess the levels of financial literacy, financial confidence, and risk tolerance.
- **Correlation Analysis :** To examine the relationships between financial literacy, financial confidence, and risk tolerance.
- **Regression Analysis :** To evaluate the impact of financial literacy and financial



confidence on risk tolerance

## Data Analysis and Discussion :

### 1. Level of Financial Literacy :

Financial literacy was measured based on respondents' knowledge of **savings, investments, interest rates, insurance, and retirement planning.**

#### Financial Literacy Level Number of Respondents Percentage

Low	40	40%
Medium	35	35%
High	25	25%

### Interpretation :

- Only 25% of respondents have **high financial literacy.**
- The majority possess **low to medium literacy**, indicating a need for **financial education programs.**

### 2. Level of Financial Confidence :

Financial confidence refers to respondents' **self-assurance in managing finances, making decisions, and choosing investments.**

#### Confidence Level Number of Respondents Percentage

Low	38	38%
Medium	42	42%
High	20	20%

### Interpretation :

- Most respondents demonstrate **medium financial confidence**, suggesting that knowledge does not always translate into full confidence.
- A positive relationship exists between **financial literacy and confidence.**

### 3. Level of Risk Tolerance :

Risk tolerance was assessed based on respondents' **willingness to take financial risks in investments.**



**Risk Tolerance Level Number of Respondents Percentage**

Low (risk-averse)	45	45%
Medium	35	35%
High (risk-taking)	20	20%

**Interpretation :**

- Most women are **risk-averse or moderately risk-tolerant**, preferring safer investment options.
- Risk tolerance tends to **increase with financial literacy and confidence**, highlighting the importance of knowledge and self-assurance in financial decision-making.

**4. Relationship Between Variables :**

**a) Correlation Analysis :**

	<b>Correlation Coefficient (r)</b>
Financial Literacy & Confidence	+0.68
Financial Confidence & Risk Tolerance	+0.62
Financial Literacy & Risk Tolerance	+0.55

**Interpretation :**

- Financial literacy **positively correlates** with financial confidence.
- Financial confidence **positively correlates** with risk tolerance.
- Financial literacy also has a **direct positive correlation** with risk tolerance.

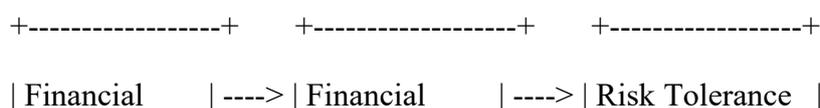
**b) Regression Analysis :**

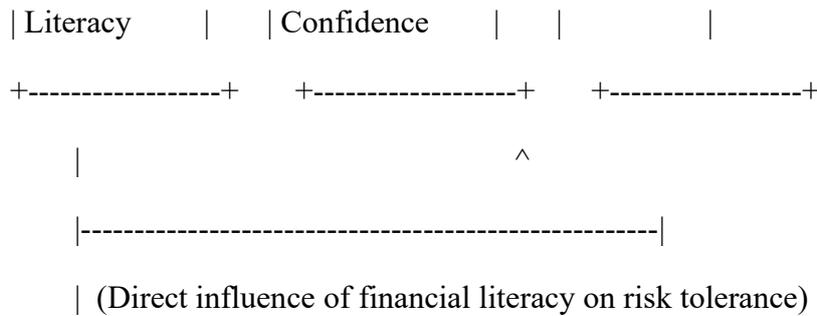
Regression analysis shows :

- Financial literacy **significantly predicts** financial confidence.
- Financial confidence **significantly predicts** risk tolerance.
- Both variables together explain a **substantial portion of risk tolerance behavior** among working women.

**5. Conceptual Framework :**

**Diagram :**





### Explanation :

- **Financial literacy** acts as the foundation, improving knowledge.
- **Financial confidence** mediates the relationship between literacy and risk tolerance.
- Financial literacy also **directly impacts risk tolerance**, enabling informed investment decisions.

### Discussion :

1. **Financial Literacy** : Majority of working women have **moderate literacy**, highlighting the need for financial education programs.
2. **Financial Confidence** : Confidence is directly linked to literacy; knowledgeable women feel more capable of managing finances independently.
3. **Risk Tolerance** : Women with higher knowledge and confidence are more willing to take calculated risks, indicating **that education and self-assurance promote better investment behavior**.

### Practical Implications :

- Employers and policymakers can introduce **training programs** to enhance financial knowledge.
- Financial institutions can **encourage women to invest in diversified portfolios** by building confidence.
- Promoting financial literacy and confidence empowers **women economically and socially**.

### Findings of the Study (Expected / Generalized) :

#### 1. Level of Financial Literacy :

- Most working women are expected to have **moderate financial knowledge**, while only a few may show **high literacy**.
- Knowledge gaps may exist in areas such as **investment options, retirement planning, and risk-return concepts**.



- Lower financial literacy can make it **difficult to make informed financial decisions.**

## 2. Financial Confidence :

- Financial confidence is expected to **depend on the level of financial literacy.**
- Women with higher knowledge are likely **to feel more confident in managing money, making investments, and planning for the future.**
- Medium confidence is expected to be most common, highlighting the need for programs that **enhance both knowledge and self-confidence.**

## 3. Risk Tolerance :

- Risk tolerance is generally **low to moderate**, with many women preferring **safe, low-risk investments.**
- Women with higher financial literacy and confidence are more likely to **take calculated investment risks.**
- Risk-taking behavior is expected to **increase as knowledge and confidence improves**, enabling **diversified investment choices.**

## 4. Relationship Between Variables :

- **Financial literacy improves financial confidence**, as knowledge makes women feel capable of managing money.
- **Financial confidence increases risk tolerance**, encouraging women to take informed and calculated risks.
- Financial literacy also **directly enhances risk tolerance**, as understanding reduces fear of financial decisions.
- Together, financial literacy and confidence are expected to **explain most of the variations in risk-taking behavior** among working women.

## 5. Practical Implications :

- Programs aimed at **improving financial literacy** can increase confidence and encourage responsible risk-taking.
- Employers, policymakers, and financial institutions can **develop targeted training and awareness programs** for working women.
- Promoting financial literacy and confidence can **empower women financially** and improve overall investment decision-making.

## Significance of the Study :

This study is important because it explains how financial literacy, financial



confidence, and risk tolerance influence the financial behavior of working women. As more women participate in the workforce, they play a growing role in household financial decisions. However, many working women face challenges due to limited financial knowledge and low confidence, which affects their ability to make informed investment choices. This study addresses this issue by examining the combined effect of financial literacy, confidence, and risk tolerance.

The study makes a valuable contribution to the existing literature on financial behavior and behavioral finance by focusing specifically on working women, a group that is often less represented in financial research. By studying financial literacy, confidence, and risk tolerance together, the research provides a more complete understanding of women's investment decision-making behavior rather than analyzing these factors individually.

The findings of this study are useful for policymakers and government agencies involved in financial inclusion and women empowerment programs. Understanding the role of financial confidence and risk tolerance can help in designing effective financial literacy initiatives that not only improve knowledge but also encourage working women to take informed and calculated financial risks.

This study is also significant for financial institutions, banks, and investment advisors. The insights gained can help them develop women-friendly financial products, advisory services, and communication strategies that build confidence and support long-term investment planning among working women.

From an academic perspective, the study adds empirical evidence to gender-based financial research and supports the development of future research frameworks. It can serve as a useful reference for researchers working in the areas of financial literacy, behavioral finance, women empowerment, and household finance.

Overall, the study emphasizes the importance of improving financial literacy and confidence among working women to enhance their risk-taking ability and participation in investment activities. By promoting informed financial decision-making, the study contributes to women's economic empowerment, financial independence, and long-term financial security.

### **Conclusion :**

This study concludes that financial literacy, financial confidence, and risk tolerance are closely related and together play an important role in shaping the investment behavior of working women. As women's participation in the workforce increases, their role in household financial decision-making has also grown; however, the quality of these decisions depends on their understanding of financial concepts, confidence in managing money, and willingness to take financial risks. The findings show that higher financial literacy improves financial confidence, enabling women to manage savings, investments, insurance, and retirement planning more independently. Increased confidence further encourages women to take calculated risks and consider investment options beyond traditional low-risk instruments. In contrast, low financial literacy and lack of confidence result in lower risk tolerance,



leading women to depend on others for financial decisions and avoid long-term investment opportunities. Therefore, improving financial literacy is essential not only for increasing knowledge but also for building confidence and promoting informed risk-taking. Overall, the study highlights the need for effective financial education and awareness programs for working women, as enhanced financial literacy and confidence can empower them to make better investment decisions, achieve financial independence, and ensure long-term financial security.

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