

Financial Self-Efficacy of Young Women in Kerala

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Abstract

It is said that people with a high level of self-efficacy tend to be successful in life. Self-efficacy is an individual's belief in himself or herself to complete a task or achieve a goal. Financial self-efficacy is the belief that a person can manage his or her own financial situation and succeed financially. Women are generally found to be less rational in financial situations. There are many studies on women's financial self-efficacy. The present study focuses on young women who have recently started earning and managing money. It is necessary to know where they stand in terms of level of financial self-efficacy and the influence of socio-economic factors on it. The data is collected from a sample of 150 young women belonging to Malappuram, Ernakulam and Trivandrum districts of Kerala. The data is analysed using t-test and One way ANOVA. The results indicate that young women in Kerala generally exhibit moderate financial self-efficacy. Also, none of the socio-economic factors considered such as marital status, community type, education level, parents' education level, and employment status have any significant influence on the Financial Self-Efficacy of young women.

Key words: Financial self-efficacy, self-efficacy, young women, Kerala.

1. Introduction

Self-efficacy refers to an individual's belief in their capacity to produce significant effects. It plays a crucial role in motivation and behavior, as individuals who feel capable of making a difference are more likely to take initiatives and feel satisfied with their efforts. Conversely, those who perceive themselves as helpless tend to be less motivated and less happy (Flammer, 2015).

Financial self-efficacy, a subdomain of general self-efficacy as described by Bandura (1977), is defined as one's confidence in their ability to manage and solve financial problems (Farrell et al., 2016; Lown, 2011). This confidence is a critical factor influencing financial behavior and overall financial well-being. Studies by Mindra

and Moya (2017), Khara and Nayak (2023), and Suade et al. (2024) have consistently highlighted the importance of financial self-efficacy in shaping financial outcomes.

Financial self-efficacy is particularly significant in promoting financial inclusion. It influences individual financial behaviors and encourages the use of formal financial products. Research by Wijaya et al. (2019) emphasizes that individuals with higher financial self-efficacy are more likely to access and utilize banking services. This underscores the importance of fostering confidence in managing personal finances to enhance financial inclusion.

Women with higher financial self-efficacy exhibit greater confidence in their financial management abilities, which plays a critical role in shaping their personal financial behavior. Farrell et al. (2016) found that financial self-efficacy impacts women's financial behavior beyond the influence of financial literacy. While financial education programs are essential for improving financial literacy, they must also address women's confidence and self-belief in managing their finances. This focus is crucial given that women generally have lower self-assurance in their financial abilities compared to men.

In summary, financial self-efficacy is a vital determinant of financial behavior and well-being. Enhancing financial self-efficacy, particularly among young women, is essential for fostering better financial management practices and promoting financial inclusion. This study aims to explore the financial self-efficacy of young women in Kerala, contributing to the broader understanding of how confidence in financial management can impact financial outcomes.

2. Objectives

1. To find out the level of financial self-efficacy of young women.
2. To analyse the influence of the marital status, nature of the community living in, own education, employment status and parents' highest education on the financial self-efficacy of young women.

3. Scope and Methodology

The design in this study uses quantitative analysis and hypothesis testing. The hypothesis testing aims to determine the influence of socio-economic factors on the level of financial self-efficacy of young women in Kerala. The study has one dependent variable and five independent variables. The Financial Self-Efficacy score is the dependent variable. The independent variables are marital status, community type, education level, parents' education level, and employment status. The data is collected through survey methods. Financial self-efficacy is measured using the scale developed by Abhijith P. S. (2024) in his research titled 'Financial Competence,

Financial Self-Efficacy and Financial Behaviour of Inward and Outward Migrant Labourers in Kerala'. The techniques for scoring are used in this research questionnaire were a Likert scale technique. The scale consists of 10 statements which are all positive in nature. Hence the Strongly Agree option is given 5 marks, Agree is given 4 marks, Neutral has 3 marks, Disagree has 2 marks and the Strongly Disagree option is given 1 mark. The Financial Self-Efficacy score is out of 50.

Purposive sampling method is used in the study. The primary data is collected through a questionnaire, from a sample of 150 women from the districts of Malappuram, Ernakulam and Trivandrum districts representing the north, central and south zones of Kerala through convenience sampling. Many previous research have taken young women to be between the ages of 15 and 24 (Dellar et. al., 2015; Hebert el. al., 2018). For the present study, young women have been considered as women between the age of 18 and 30 in order to focus on a financially independent group of women. The hypothesis has been tested using One way ANOVA and t tests.

4. Literature Review

Hu et al. (2021) explored the relationship between financial self-efficacy (FSE) and general life satisfaction, emphasizing the mediating roles of high standards tendency and investment satisfaction. Surveying 323 employees in finance-related businesses, the study found that higher FSE correlates positively with increased life satisfaction. The relationship is mediated by investment satisfaction and, sequentially, by high standards leading to investment satisfaction. These findings underscore the importance of financial confidence and goal setting in enhancing overall life satisfaction.

Lisa Farrell, Tim R.L. Fry, and Leonora Risse (2015) investigated the impact of financial self-efficacy on women's personal financial behaviors and outcomes, independent of financial literacy and risk preferences. Their study revealed that women with higher financial self-efficacy are more likely to engage in forward-thinking financial behaviors, such as holding investments, mortgages, or savings accounts. Conversely, they are less likely to rely on credit cards or loans, which are associated with weaker financial planning. This research highlights the significant role of financial self-efficacy in shaping positive financial behaviors among women.

Studies by Charness and Gneezy (2012) and Dwyer et al. (2002) indicate that women tend to be more risk-averse than men and that gender influences financial confidence and self-efficacy. However, there is a lack of studies specifically examining the influence of various factors on the financial self-efficacy of women in Kerala. This gap in the literature points to the need for more focused research on this demographic to understand the unique challenges and determinants of their financial self-efficacy.

Research on the impact of employment status on general self-efficacy presents mixed results. Akanksha Khot and Richa Dwivedi (2022) found no significant differences in self-efficacy between employed and unemployed women. In contrast, Sangeeta Rath and Aakankshya Mishra (2012) reported that employed women have a better sense of self-efficacy compared to unemployed women. These contradictory findings highlight the complexity of the relationship between employment status and self-efficacy. The present study aims to explore this relationship further by focusing on the effect of employment on financial self-efficacy, an area that has not been extensively researched.

The existing literature underscores the importance of financial self-efficacy in influencing financial behaviors and overall life satisfaction. While several studies have examined the impact of financial self-efficacy on women's financial behaviors and outcomes, there is a significant gap in research focusing on the socio-economic factors affecting the financial self-efficacy of women, particularly in the context of Kerala. The present study seeks to address this gap by examining the financial self-efficacy of young women in Kerala and exploring the influence of employment status and other demographic factors on their financial confidence.

From the literature review, the following hypothesis is formulated:

H₀ - There are no significant differences in the Financial Self-Efficacy of young women based on their marital status, nature of the community living in, own education, employment status and parents' highest education.

5. Result and Discussion

The Descriptive analysis gives an understanding of the level of Self-efficacy among young women in Kerala. (Table 1)

Table 1: Descriptives		
Statements	Mean score	SD
1.If I ever have to take loans, I believe I can pay them back without any difficulties.	3.36	1.244
2. I can follow my regular spending pattern even when unexpected financial expenditures arise.	3.44	1.132
3. I am certain that I will get enough money for my post-retirement life.	3.36	1.233

4. When faced with financial challenges, I can easily find solutions to them.	3.38	1.133
5. I am certain about paying my bills on time.	3.82	1.1
6. I can achieve most of my financial goals.	3.54	1.103
7. I can ensure that I get a regular income.	3.72	1.124
8. I believe that I can handle my finances very well.	3.83	0.993
9. I have the ability to use my income and wealth to improve my financial position.	3.83	1.102
10. I am sure that I can always keep my expenses within my income.	3.97	1.099
FINANCIAL SELF-EFFICACY SCORE	36.26	8.545

The hypothesis test results to find the influence of marital status, nature of community living, level of education and parents' highest education on Financial Self-Efficacy using One Way ANOVA are given in Table 2. Table 3 shows the results of t-test to determine the influence of Employment status on Financial Self-Efficacy.

Table 2: Differences in the Financial Self Efficacy scores of women based on their marital status, nature of the community living in, own education, and parents' highest education (One way ANOVA results)

Based on Marital Status						
			Test of Homogeneity of Variances		ANOVA	
Marital Status	Mean	SD	Levene's Statistic	Sig.	F	Sig
Unmarried	35.71	8.081	2.345	0.075	0.528	0.664
Married	37.56	8.361				

Married with kids	35.71	9.762				
Divorced/ Separated	39	0				
Based on nature of the community living						
			Test of Homogeneity of Variances		ANOVA	
Nature of the community living in	Mean	SD	Levene's Statistic	Sig.	F	Sig
Village	34.64	9.019	1.831	0.126	2.039	0.092
Small town	37.47	6.511				
Town	36.43	10.566				
City	36.57	9.403				
Large city	42.33	6.185				
Based on the level of education						
			Test of Homogeneity of Variances		ANOVA	
Level of education	Mean	SD	Levene's Statistic	Sig.	F	Sig
Class 12	32.78	10.745	0.288	0.886	0.686	0.603
UG	36.1	7.66				
PG	37.27	9.08				
Professional courses	36.83	8.686				
Diploma	34.9	7.973				

Based on the highest level of education among the Parents

			Test of Homogeneity of Variances		ANOVA	
Level of education	Mean	SD	Levene's Statistic	Sig.	F	Sig
Class 12	35.71	8.248	0.818	0.516	1.116	0.351
UG	36.14	8.28				
PG	38.36	10.586				
Professional courses	39.56	9.953				
Diploma	33.93	7.146				

Table 3: Differences in the Financial Self Efficacy based on the employment status of women (t-test)

		Levene's Test for Equality of Variances				t-test for Equality of Means						
DV		Mean	SD	F	Sig.	t	df	Sig (2-tailed)	Mean Diff.	Std. Error Diff.	95% Confidence Interval of the Difference	
											Lower	Upper
	Employed	35.79	9.058	3.217	0.075	0.942	148	0.347	-1.389	1.473	-4.3	1.523
	Unemployed	37.18	7.448									

Descriptive Statistics

Table 1 presents the descriptive statistics for various statements related to financial self-efficacy among young women in Kerala. The overall mean Financial Self-Efficacy Score is 36.26 with a standard deviation of 8.545, suggesting moderate financial confidence among the participants. The highest mean score of 3.97 (SD = 1.099) indicates that women are confident about keeping their expenses within their income. Similarly, statements like "I believe that I can handle my finances very well" and "I have the ability to use my income and wealth to improve my financial position" both scored a mean of 3.83. The lowest mean scores (3.36) were observed in statements about paying back loans and having enough money for post-retirement life, indicating lower confidence in long-term financial planning.

Analysis of Variance (ANOVA) and t-test by Demographic Factors

- **Marital Status:** The ANOVA results in Table 2 indicate no significant differences in financial self-efficacy scores based on marital status ($F(3,148) = 0.528, p = 0.664$). Though divorced or separated women had a slightly higher mean score (39.00), the lack of statistical significance suggests that marital status may not be a determining factor in financial self-efficacy.
- **Nature of Community Living:** Differences in financial self-efficacy based on the nature of the community were not statistically significant ($F(4,145) = 2.039, p = 0.092$). However, women living in large cities reported higher financial self-efficacy (mean = 42.33), potentially indicating higher financial confidence in urban settings.
- **Level of Education:** There were no significant differences in financial self-efficacy scores across different educational levels ($F(4,145) = 0.686, p = 0.603$). Although women with postgraduate degrees and professional courses had slightly higher mean scores, the impact of education level on financial self-efficacy was not statistically significant.
- **Parents' Highest Level of Education:** The educational attainment of parents did not significantly affect the financial self-efficacy scores of their daughters ($F(4,145) = 1.116, p = 0.351$). Participants whose parents had professional education reported higher mean scores, but these differences were not statistically significant.
- **Employment Status:** The t-test results in Table 3 show no significant difference in financial self-efficacy between employed and unemployed women ($t(148) = -0.942, p = 0.347$). Although unemployed women had a marginally higher mean score (37.18) compared to employed women (35.79), this difference was not statistically significant.

6. Findings

The study finds that young women in Kerala generally exhibit moderate financial self-efficacy. Confidence is higher in managing day-to-day financial matters, such as controlling expenses and handling finances well. However, there is less confidence in long-term financial planning, such as repaying loans and securing post-retirement funds.

The analysis shows that demographic factors, including marital status, community type, education level, parents' education level, and employment status, do not significantly influence financial self-efficacy among the participants. These findings suggest that other factors not covered in this study may play a more critical role in determining financial self-efficacy. Future research should explore these additional variables to gain a more comprehensive understanding of the determinants of financial self-efficacy among young women in Kerala. This understanding can help design targeted interventions to enhance financial confidence and management skills within this demographic.

7. Limitations and Research Gaps

This study highlights the moderate financial self-efficacy of young women in Kerala, with particular strengths in managing immediate financial needs. Despite variations in mean scores across different demographic groups, none of the factors analyzed (marital status, community type, education level, parents' education, and employment status) significantly influenced financial self-efficacy.

These results suggest that financial self-efficacy may be influenced by other factors not covered in this study, such as personal financial education, exposure to financial resources, or individual financial experiences. Future research should explore these additional variables to provide a more comprehensive understanding of the determinants of financial self-efficacy among young women in Kerala. This understanding can help design targeted interventions to enhance financial confidence and management skills in this demographic group.

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