

Financial Management Skills and Investment Behavior: Evidence from Women Investors

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Abstract

This study examines the relationship between financial management skills and investment decisions among working women in higher educational institutions in North India. Using data from 600 respondents across Noida, Greater Noida, Ghaziabad, and Moradabad, this research employs regression analysis to test whether financial management skills significantly influence investment behavior. The findings reveal a strong positive relationship, with financial management skills explaining 72.3% of the variance in investment decisions ($R^2 = 0.723$, $p < 0.001$). The results demonstrate that practical skills such as budgeting, saving, and long-term financial planning are critical determinants of confident and informed investment choices. This paper contributes to the literature on gender and finance by highlighting the primacy of financial management competencies over theoretical knowledge alone. The findings suggest that financial literacy programs should emphasize practical skill development to empower women in making sound investment decisions.

Keywords: Financial management skills, investment decisions, women, financial literacy, higher education

1. Introduction

Investment choices are an essential part of personal economic security and long-term financial well-being. For career women, particularly professionals, having the capacity to make good investment choices directly affects their fiscal independence and future security. Despite increasing numbers of workforce participation, women continue to face unique challenges to financial decision-making, including lower confidence, risk aversion, and limited knowledge of the financial markets (Barber & Odean, 2001; Schubert et al., 1999). Financial management skills encompass tangible skills such as creating a budget, saving, debt management, and planning for the future. These abilities are more than simply familiarizing yourself with financial terms they are about applying that knowledge in everyday life (Luna-Pereira & Caicedo-Rolón, 2022). Whereas financial literacy enables individuals to comprehend areas such as investments, financial management abilities enable them to actually implement intelligent ways to grow and save their money.

Past research indicates that men and women tend to have different mindsets when it comes to financial issues and investing (Fonseca et al., 2012; Hsu et al., 2021). Women prefer playing it safe and usually opt for riskless investments that tend to yield lower returns (Teket et al., 2023). It remains uncertain, though, how significant a role actual financial ability plays in influencing the investment choices of women. This research seeks to investigate that gap by examining how financial management skills affect professional women employed in universities' investment decisions. Female academics generally hold good education levels and stable salaries. But an education does not always ensure that they are money managers. Observing this segment allows us to learn the ways financial skills operate in actual life and can assist in better designing programs of financial education for women.

The study will investigate the premise that the skills of financial management significantly influence the investment behavior of working women. The results of this study will indicate that financial education programs should concentrate more on the development of hands-on skills in order to enable women to invest more effectively.

2. Literature Review

2.1 Gender Differences in Investment Behavior

Research tends to indicate that men and women make distinct decisions when it comes to investing and managing money. Women tend to take less risk than men and therefore opt for safer investments (Schubert et al., 1999; Barber & Odean, 2001). While this avoids loss, it can equally result in missing opportunities to build wealth in the long run. Teket et al.

(2023) discovered that women perceive financial risk in a different way compared to men. Due to this reason, they tend to favor fixed-income investments and savings accounts over stocks and shares.

It is not due to intelligence or education differences that this gap exists between men and women investors. Rather, it is due to social and cultural influences, confidence levels, and the amount of exposure each sex receives to financial markets (Fonseca et al., 2012). Even if women are just as informed about finance as men, they will feel less confident that they are so informed. Feeling less confident results in more cautious investment decisions and fewer actions towards achieving long-term wealth.

These differences need to be understood. It indicates that enhancing the confidence of women and providing them with more opportunities to educate themselves about financial markets can close the gap and assist in making improved investment choices.

2.2 Financial Management Skills and Investment Decisions

Financial management competencies are all about applying financial skills in daily life to manage finances and make future plans. Luna-Pereira and Caicedo-Rolón (2022) clarify that sound financial management is necessary for making personal and professional decisions. It encompasses skills such as budgeting, cost control, financial planning, handling debt, and planning for future requirements.

Bai (2023) discovered that financial literacy, mental budgeting, and self-control all contribute to enhanced financial well-being. Individuals who practice good money management are likely to receive improved investment outcomes and be more satisfied with their finances. This indicates that awareness of finance is not sufficient being able to use that knowledge in the real world is what results in improved investment behavior.

Adil et al. (2022) examined how financial literacy influences usual errors in investment. They discovered that individuals with greater financial literacy are superior at evading mistakes such as overconfidence, excessive fear of losses, or blind following. Still, they further added that knowledge about finance is not sufficient. Individuals must exercise applying skills to prevent the errors. This highlights how important it is to combine financial knowledge with real-life application to make smart investment choices. Financial management ability helps turn knowledge into action.

2.3 Barriers to Women's Financial Inclusion

Women encounter several hindrances in accessing and using financial services. Technological, social, and institutional hindrances to women's financial inclusion in India are identified by Kulkarni and Ghosh (2021). These involve low digital literacy, sociocultural values that point men towards making financial decisions, and financial instruments that do not cater to the unique needs of women. According to the authors, correcting these hindrances calls for systemic adjustments as well as individual capacity development.

Ergün et al. (2025) identify the areas of difficulty rural women encounter in entrepreneurship, namely financial, infrastructural, and social impediments. Although they are writing about entrepreneurship, the identified barriers such as restricted access to financial capital, absence of financial training, and social limitations extend to financial empowerment of women in general. These structural issues bring out the necessity for interventions that empower practical financial management skills.

Hsu et al. (2021) examined whether financial literacy narrows gender gaps in investment behavioral biases. They established that financial literacy reduces some biases but leaves gender gaps in overconfidence and portfolio diversification. This indicates that beyond literacy, women require on-the-ground skills and assertiveness-building to overcome deep-seated behavior patterns.

2.4 The Role of Financial Management in Decision-Making

The OECD (2024) emphasizes that gender equality in financial access and capability remains a critical policy priority. Their report highlights that women's economic empowerment requires not just legal rights but also practical skills to manage finances effectively. Financial management education should focus on real-world application rather than theoretical concepts alone.

Previous studies demonstrate that financial management skills influence various aspects of financial behavior. Budgeting skills help individuals allocate resources efficiently, saving habits enable capital accumulation, and planning skills facilitate goal achievement (Bai, 2023). For women, these skills are particularly important given their typically longer lifespans, career interruptions, and lower lifetime earnings compared to men.

2.5 Research Gap

While existing literature acknowledges the importance of financial literacy for investment decisions, limited research specifically examines the role of financial management skills as distinct from financial knowledge. Most studies treat financial literacy as a unitary construct, combining knowledge, attitudes, and behaviors. This research addresses this gap by isolating financial management skills and examining their specific contribution to investment decision-making among working women. The focus on higher educational institutions provides insights into how professional women with relatively high education and income levels navigate investment decisions.

3. Methodology

3.1 Research Design

This study employs a quantitative research design using primary data collected through structured questionnaires. The descriptive research approach allows for systematic examination of the relationship between financial management skills and investment decisions while controlling for demographic variables.

3.2 Sample and Data Collection

The target population comprises working women employed in higher educational institutions across Noida, Greater Noida, Ghaziabad, and Moradabad. Using random sampling, 600 respondents were selected to ensure representativeness across different age groups, income levels, educational qualifications, and employment types.

Data collection occurred through self-administered questionnaires distributed both physically and electronically. The questionnaire included sections on demographic information, financial management skills assessment, and investment decision-making patterns. Financial management skills were measured using Likert-scale items assessing budgeting practices, saving habits, expense tracking, financial goal setting, and long-term planning capabilities.

3.3 Variables

Dependent Variable: Investment decisions, measured through respondents' self-reported investment behaviors, including types of investments made, frequency of investment activities, and diversity of investment portfolio.

Independent Variable: Financial management skills, operationalized through multiple items assessing practical financial management competencies including budgeting, saving, debt management, expense tracking, and financial planning.

Control Variables: Age, marital status, education level, income, and years of work experience were included as control variables to account for their potential influence on investment decisions.

3.4 Data Analysis

Data analysis was conducted using SPSS Version 26. Regression analysis was employed to test the hypothesis that financial management skills significantly influence investment decisions. The analysis included calculation of correlation coefficients (R), coefficient of determination (R^2), ANOVA tests for model significance, and examination of standardized and unstandardized regression coefficients.

Reliability analysis using Cronbach's Alpha confirmed the internal consistency of the financial management skills construct ($\alpha = 0.824$) and investment decisions measure ($\alpha = 0.755$), indicating acceptable reliability levels.

4. Data Analysis and Interpretation

4.1 Demographic Profile

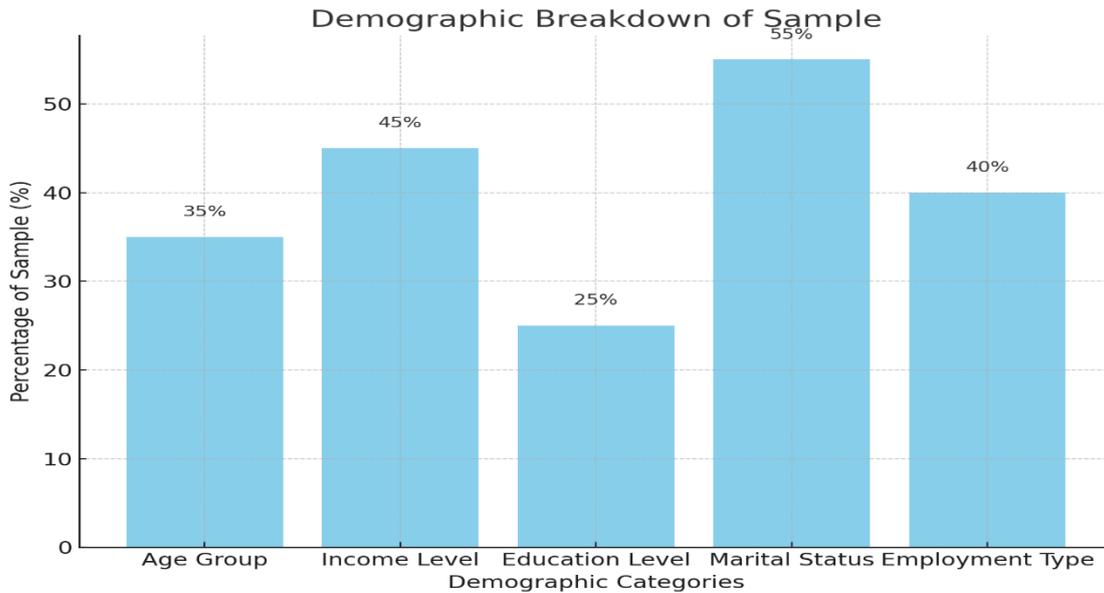


Figure 1: Demographics

The sample comprised 600 working women with the following characteristics: 45.7% aged 25-30 years, 89.7% married, 42.3% holding doctoral degrees, and 91.2% earning above ₹50,000 monthly. Regarding employment, 70.3% held full-time positions while 29.7% were on contractual appointments. The majority (45.7%) had 1-3 years of work experience, though 25.0% had more than 10 years of experience.

4.2 Hypothesis Testing: Financial Management Skills and Investment Decisions

Hypothesis: Financial management skills have a significant effect on investment decisions among working women in higher educational institutions.

4.2.1 Model Summary

The regression analysis produced the following model summary:

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	0.850	0.723	0.722	0.32390

The correlation coefficient ($R = 0.850$) indicates a very strong positive relationship between financial management skills and investment decisions. The R^2 value of 0.723 demonstrates that financial management skills explain 72.3% of the variance in investment decisions—the highest explanatory power among all factors examined in the broader study. The adjusted R^2 of 0.722 confirms that this relationship remains robust even after accounting for the number of predictors, indicating minimal inflation due to model complexity.

4.2.2 ANOVA Results

Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression 163.615	1	163.615	1559.535	<.001
	Residual 62.738	598	0.105		
	Total 226.353	599			

The ANOVA results confirm the statistical significance of the regression model. The F-statistic of 1559.535 with a p-value less than 0.001 indicates that the model provides an excellent fit to the data. This extremely low p-value demonstrates that the relationship between financial management skills and investment decisions is not due to chance but represents a genuine and substantial effect.

4.2.3 Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant) -0.085	0.118		-0.719	0.472
	Financial Management Skills 1.041	0.026	0.850	39.491	<.001

The unstandardized coefficient ($B = 1.041$) indicates that for every one-unit increase in financial management skills, investment decision scores increase by 1.041 units. The standardized coefficient ($Beta = 0.850$) confirms the strong magnitude of this relationship. The t-value of 39.491 with $p < 0.001$ demonstrates that financial management skills are a highly significant predictor of investment decisions.

5. Results and Discussion

5.1 Interpretation of Findings

The results provide strong empirical support for the hypothesis that financial management skills significantly influence investment decisions among working women. With an R^2 of 0.723, financial management skills emerge as the most powerful predictor of investment behavior more influential than financial knowledge ($R^2 = 0.676$) or financial experience ($R^2 = 0.381$) examined in the broader study.

This finding has important theoretical and practical implications. It suggests that practical competencies in managing day-to-day finances translate directly into better investment decision-making. Women who effectively budget, save systematically, track expenses, and plan for long-term goals demonstrate greater confidence and competence in making investment choices. The very strong relationship ($R = 0.850$) indicates that financial management skills are not merely correlated with investment decisions but represent a fundamental capacity that enables effective investing.

5.2 Why Financial Management Skills Matter Most

Several mechanisms explain why financial management skills exert such strong influence on investment decisions:

Behavioral Foundation: Financial management skills provide the behavioral foundation necessary for consistent investing. Budgeting creates awareness of available resources, saving habits generate investable capital, and planning skills enable goal-directed investment strategies (Bai, 2023).

Confidence Building: Women who successfully manage their finances develop confidence in their ability to handle complex financial decisions. This confidence reduces the psychological barriers that often prevent women from engaging with investment markets (Hsu et al., 2021).

Discipline and Consistency: Financial discipline and regularity are essential in financial management traits that directly apply to investment behavior. Women with budgets and expense tracking habits internalize regular monitoring of finances, which aids in systematic investment strategies.

Risk Management: Good financial management incorporates the ability to understand and mitigate financial risks. Women with good management skills can better view investment risks objectively and not shun them outright out of fear or uncertainty (Adil et al., 2022).

5.3 Comparison with Related Research

Bai (2023) found that financial literacy, mental budgeting, and self-control together affect financial wellbeing through investment choices. This study builds on that by focusing specifically on financial management ability and showing it plays the most important role. Luna-Pereira and Caicedo-Rolón (2022) stressed that financial management is key for making good decisions in organizations. This research shows the same applies to personal investments practical money skills matter more than just knowing financial theory.

The strong impact of financial management skills also helps explain why men and women often invest differently. If women are given fewer chances or support to learn and practice these skills, they may invest less. So, closing the gender gap in investing is not just about teaching financial concepts. It also means helping women build and use real-life financial skills. Hands-on training and support are needed to help women feel confident and take part more actively in investment opportunities.

5.4 Implications for Policy and Practice

Financial Education Programs: The findings are strongly in favor of financial education programs prioritizing the cultivation of skills over the passing of theory. The programs need to include practice in budgeting, savings challenges, expense monitoring tools, and planning simulation. Women need opportunities to learn managing money in secure settings before applying such skills to investment decisions.

Workplace Interventions: Higher education institutions must provide financial management seminars specially meant for women workers. These classes would discuss the specific issues women encounter, such as career breaks, caregiving obligations, and longer life spans that require increased retirement savings.

Digital Tools: Financial management apps and digital platforms can support skill development by automating tracking, providing feedback, and sending reminders. However, as Kulkarni and Ghosh (2021) note, digital financial tools must be accessible and user-friendly to avoid creating new barriers.

Addressing Structural Barriers: While individual skill development is important, systemic changes are also necessary. Financial institutions should design products that align with women's financial patterns and needs. Policies should address gender wage gaps, ensure equal access to financial services, and remove discriminatory practices that limit women's financial autonomy (OECD, 2024).

6. Conclusion

This research demonstrates that financial management skills significantly and substantially influence investment decisions among working women in higher educational institutions. The very strong relationship ($R = 0.850$, $R^2 = 0.723$) confirms that practical competencies in budgeting, saving, and financial planning are more influential than financial knowledge or experience alone in shaping investment behavior.

For women seeking to improve their investment outcomes, developing strong financial management skills provides the most direct path forward. These skills create the behavioral foundation, confidence, and discipline necessary for successful investing. For policymakers and educators, these findings emphasize the need to move beyond information-based financial education toward practice-based skill development.

The study contributes to the literature by isolating financial management skills as a distinct and primary determinant of investment decisions. It highlights that gender gaps in investment participation may reflect differences in practical financial

management competencies rather than cognitive differences or risk preferences. Addressing these gaps requires targeted interventions that build women's capabilities through hands-on practice rather than passive learning.

6.1 Limitations and Future Research

This study focused on women in higher educational institutions in North India, limiting generalizability to other populations and regions. Future research should examine whether similar relationships hold across different occupational sectors, income levels, and cultural contexts.

The cross-sectional design captures relationships at one point in time but cannot establish causal mechanisms definitively. Longitudinal studies tracking skill development and investment behavior over time would provide stronger evidence of causal relationships.

Additionally, this research measured financial management skills through self-reported surveys, which may be subject to social desirability bias. Future studies could employ objective behavioral measures or observational methods to assess financial management practices more accurately.

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