

A Study on the Relationship Between Financial Knowledge and Investment Behaviour of Female Entrepreneurs

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Introduction

Entrepreneur is a person who starts a business and manages all the risks involved in it with the hope of making profit. Economic growth of a country is possible only through entrepreneurship. Entrepreneurs create jobs for themselves as well as for others in the society who cannot raise funds to set up an establishment themselves. Karim(2001) conducted a study on the women entrepreneurs in Bangladesh and he came to a conclusion that financial problems was the most common problem faced by women entrepreneurs of rural areas. Kumbhar V (2013) also discusses about the challenges faced by women entrepreneurs of rural areas in India and is of the opinion that lack of work life balance, freedom in financial decisions, patriarchal society, inability to bear risk, lack of financial literacy, lack of self confidence contributes a lot in the poor performance of women entrepreneurs. Statistics published by Government of India says that though the number of persons involved in entrepreneurial activities are increasing , number of women entrepreneurs are not showing an uptrend.

Significance of the study

For effectively managing the financial risks, he has to be financially literate personally. Financial literacy is important for an entrepreneur to help him gain an understanding of the financial terms, products and services. In the absence of required financial knowledge in money managing, businesses will have tough times irrespective of all other strengths. Decisions of the business are based upon an analysis of the financial statements. Even if you are a good marketer, your innovative business idea may not turn out as a viable one unless necessary financial knowledge is available with you. Delegation of works related to financial management may be possible. But since you are the one responsible for your business, it would not be correct if you cannot say about the profits generated by your company and the point of break even. Only if you are sufficiently literate , you will be able to ask appropriate questions to the managers to correct the track of your organization if it is in the wrong track. Only if enterprises flourish, It can create wealth for

the entrepreneurs, people employed by the entrepreneurs, and the local economy surrounding the entrepreneurs. Even this wealth can be collected in the form of taxes by government and utilized for nation building.

Objectives of the study

1. To study about the preferences of financially educated women entrepreneurs towards various investment options.
2. To study about the association of financial education and the amount of investments made by financially educated women entrepreneurs.

Hypothesis of the study:

- H₀ : There is no association between financial education attained by women entrepreneurs and the investments made by them.

Methodology

Primary data was collected from financially educated women entrepreneurs who belonged to Kottayam . Respondents were selected on a random basis based on convenience. Data collected through survey were supplemented with secondary data which were found relevant to make the study more significant. The questions were pertaining to the preference of Financially educated female entrepreneurs towards various investment avenues and the amount invested by them monthly. Relationship between financial education gained by the women entrepreneurs and their investments were studied using Pearson Chi Square test. Likert scale was used to measure the preference of respondents towards various investment avenues.

Analysis and Interpretation

Money management is the ultimate reason behind the success or failure of the business houses. Money management means the way in which you handle all aspects of your funds. It begins with budgeting of the petty expenses and can extend upto the decisions related to setting of long term goals like saving and investing. It is important for enterprenurs to save a portion of their hard earned money for future needs. It will be called as savings when it is the money kept aside for meeting emergencies in business. But savings over a period of time accumulates and can be invested in better schemes allowing the funds to double many times. Different type of investment options are available for investors to choose from, ranging from high risk investments where the risk levels are its peak to low risk investments where the risk levels are minimum. Respondents were asked about their preference in choosing various investment schemes after categorizing it as high risk investment, low risk investment, moderate risk investment , traditional

investment and emerging investments.

Table No 2. (a) Investment choices by women respondents

Categories	Very high preference (5)	High preference (4)	Medium(3)	Low preference (2)	Very low preference (1)
Bank Fixed Deposits	22	12	5	3	8
Public Provident fund	5	10	5	12	18
National Savings Certificate	15	10	5	11	9
Post Office Savings	25	13	6	8	0
Govt securities	5	8	6	12	19
Mutual funds	3	5	8	22	12
Life Insurance	15	8	20	5	2
Debentures	8	3	10	11	18
Bonds	7	1	15	13	14
Equity Shares Market	5	4	9	12	20
Commodity market	1	1	2	5	41
Forex market	2	1	0	0	47

Real estate	10	22	13	5	0
Jewellery	45	5	0	0	0
Chit funds	18	20	5	2	5
Virtual Real estate	2	2	1	8	37
Hedge funds	1	0	0	0	49

Table No 3. Likerts scale

Categories	Very high preference (5)	High preference (4)	Medium (3)	Low preference (2)	Very low preference (1)		Avg response
Lowrisk investments							
Bank Fixed Deposits	110	48	15	06	08	187	3.74
Public Provident fund	25	40	15	24	18	122	2.44
National Savings Certificate	75	40	15	22	09	161	3.22
Post Office Savings	125	52	18	16	0	211	4.22
Govt securities	25	32	18	24	19	118	2.36
Moderate risk investments							
Mutual funds	15	20	24	44	12	115	2.3

Life Insurance	75	32	60	10	02	179	3.58
Debentures	40	12	30	22	18	122	2.44
Bonds	35	04	45	26	14	124	2.48
Highbest investments							
Equity Shares	25	16	27	24	20	112	2.24
Market							
Commodity market	5	4	06	10	41	66	1.32
Forex market	10	4	0	0	47	61	1.22
Traditional Investments							
Real estate	50	88	39	10	0	187	3.74
Jewellery	225	20	0	0	0	245	4.90
Chit funds	90	80	15	4	5	194	3.88
Emerging investments							
Virtual Real estate	10	8	03	16	37	74	1.48
Hedge funds	5	0	0	0	49	54	1.08

From the analysis we can understand that traditional investments are preferred over other category of investments. Jewellery is the most preferred investment among financially educated women entrepreneurs followed by Chit funds , real estate, life insurance and bank deposits.

Emerging investments were least preferred. This may be because of their lack of awareness about investment options like virtual real estate and hedge funds.

I. Low risk investments

We can see the from the Likert scale analysis that People have preference towards the low risk investments. Post office savings schemes is the one people prefer most. Though people prefer Government securities and Public provident fund, they are the ones having below average score.

II. Moderate risk investments

Many of the moderate risk investment avenues are having less than average scores regarding the preference for entrepreneurs. Life insurance is the only investment option having an above average score among the moderate risk investments.

III. High risk investments

High risk investments, scored less than the average when compared with other investment options. Equity shares are the only investment options which whose preference score stood close to the average.

IV. Traditional Investments

Real estate, Jewellery and Chit funds were very popular among the respondents as an investment option. All three of them had scores above than average.

V. Emerging investments

Virtual real estate and hedge funds were considered as emerging investments. Majority of the people has no idea about both of them. Both of them scored very much less than the average.

Association of financial education levels and monthly investments of the respondents

Financial literacy is the knowledge that is required to make financially responsible decisions that can impact ones lives at present and in future. Financial literacy can be gained using financial education, but since financial markets are changing always, it is important to update the financial education gained to remain as a financially literate person. Only a financially literate person can take proper investment decisions. A study conducted by the Organization for Economic Co-operation and Development (OECD) in Canada points out that choosing the correct investment for a retirement savings plan was more stressful than a visit to the dentist. This happens because of the presence of large number of players in the financial market like banks, financial institutions, Mutual funds, merchant bankers etc who are all vying for assets, which is creating confusions in the minds of the customers and they are finding it difficult to make a choice.

For an knowledgeable entrepreneur, he will be looking carefully into his yields and returns, vigilant with his expenses and attentive about the business decisions that he is taking to enhance his wealth. Savings from his business income can be invested in various choices to accelerate his wealth growth.

Therefore a study was conducted to know about the association of financial knowledge gained through financial education and the amount of investments made by the entrepreneurs in emerging investments.

Table No. 02 : Showing Educational status and monthly investment by the entrepreneurs

			Educational Status				Total
			Profes- sional	Post grad- uatio n	Grad- uation	Higher Second- ary	
Monthly investments of respond- ents	Above 3000	Count	0	2	2	0	4
		Expected Count	.6	1.4	1.0	1.0	4.0
	2000-3000	Count	1	1	1	4	7
		Expected Count	1.0	2.4	1.8	1.8	7.0
	1000-2000	Count	2	2	3	2	9
		Expected Count	1.3	3.1	2.3	2.3	9.0
	50,0-1000	Count	2	4	2	1	9
		Expected Count	1.3	3.1	2.3	2.3	9.0
	UPTO 500	Count	2	8	5	6	21
		Expected Count	2.9	7.1	5.5	5.5	21.0
Total		Count	7	17	13	13	50
		Expected Count	7.0	17.0	13.0	13.0	50.0

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.642a	12	.647
Likelihood Ratio	10.769	12	.549
Linear-by-Linear Associa- tion	.098	1	.755
N of Valid Cases	50		

a. 17 cells (85.0%) have expected count less than 5. The minimum expected count is .56.

From the results given by SPSS software, it is understood hereby that they are not associated, which means that the monthly investments made by the financially educated women entrepreneurs in emerging investments and their financial education levels are not related.

Findings of the study

- Preference of people is seen to diminish with an increase in risk. Low risk investments are preferred over high risk and emerging investments.
- Traditional investment choices are preferred by entrepreneur.
- Financial education levels of women entrepreneur is not associated with the monthly investments made by them in emerging investments.

Conclusion

Investments made by an entrepreneur is very important for his future and for the future of his business. If he has sufficient wealth with him, he need not have to depend on borrowals which can turn out to be expensive. This will be possible only if he make proper investment choice. Proper investment choice should be a combination of risky investments and less risky ones. Though financially educated, majority of the entrepreneurs preferred low risk investments over risky ones. Emerging investments were the least preferred. Financial world is continuously undergoing changes and these changes might be the reason for the test to give an unexpected result. Therefore it is highly important for the entrepreneurs to be updated with the changes happening in the financial world. Orientation programmes and refresher programmes in finance should be arranged by government for the financially educated as well as the illiterate ones considering the huge importance of financial literacy for a successful business management.

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