

Financial Literacy: Evidence from Saudi Women

Dr. Raj Kumar Boora¹ Dr. Jyoti Agarwal²

Assistant Professor College of Administrative & Financial Science, Saudi Electronic University, Saudi Arabia

&

Assistant Professor College of Administrative & Financial sciences, Saudi Electronic University, Saudi Arabia

Corresponding Author: Dr. Jyoti Agarwal

Abstract: *Financial illiteracy is widespread among women, and that many women are unacquainted with even the most elementary economic theories needed to make saving and investment decision. Financial literacy means knowing and understanding the form, functions and use of money and financial services. While the influence of several factors such as gender, education, and income is similar to what has been reported in other contexts, a few factors specifically consultative decision-making process and educated women whose family members had stocks and retirement saving more likely to know about risk diversification than less educated women whose family member were not wealthy and complexity of the financial markets has heightened the need of financial literacy. The main objective of the present paper is to assess the level of financial literacy among the women of Saudi Arabian, we have conducted a survey with the help of the questionnaire and distributed among the working and non-working women in Saudi Arabia. In finding researcher has found that there is no financial literacy difference between working and non-working in Saudi Arabia.*

Key Words: *Financial Education, Financial literacy Gender, Socio-Economic Status,*

Date of Submission: 18-04-2018

Date of acceptance: 05-05-2018

I Introduction

Financial literacy has turned out to be a significant subject of debate in the current years due to the raising consciousness among the commonalities. One of the main hurdles confronted by countries internationally is women empowerment which is attainable only when the women of the nation will be educated and financially literate and self-governing. Financial Literacy means the ability to make effective decisions about the use of money. A financially literate individual is able to make rational decisions and take effective selection regarding the usage and managing of money (Noctor et al., 1992). It is very inspiring to see that at present women are at par with men in all fields but when it comes to financial decision-making, they still rely on the male members of their family.

Sometimes, women are aware of such products but are unenthusiastic to go for such options because of poor and partial information or lack of personal confidence. It is evident from history that women in the advanced countries demonstrate to be improved financial players when compared with third world countries who have to focus towards awareness about money management aspects.

Financial literacy contains both concept and application and these two ends are hard to bring together in reality. It means that individuals should not only acquire the financial planning concepts but should be proficient in applying them in their day-to-day transactions. Financial issues and investment plans are the real issues in front of women of Saudi Arabia, in spite of attaining highest academic degrees and holding good positions at workplace. The concept of financial literacy has numerous parameters like simple money management, financial planning and savings, investments, budget etc. Financial literacy is the combination of one's knowledge, skill, and attitude towards the financial matter. Financial literacy among women is must for economic empowerment of women and also attaining significance due to increasing volume of work participation of women in developed and developing countries. However various research studies on this issue have shown that there is gap among the different segments of the individuals such as men and women, young and adults, rural and urban and also different categories of people. The need to address the financial literacy of women and girls as a way to improve their financial empowerment, opportunities, and well-being has been acknowledged by the G20 Leader's Declaration in June 2012, as well as part of a wider horizontal OECD project on gender equality. There are many definitions of financial literacy, for example, OECD defines financial literacy as –“A combination of awareness, knowledge, skill, attitude, and behavior necessary to make sound financial decisions and ultimately achieve individual financial well being.” The OECD survey uses series of questions to measure knowledge, behavior, and attitude and then defines financial literacy to be the sum of the scores on these three dimensions. To measure the level of financial knowledge and attitude of respondents

and assessing their behaviors with regard to finances, it is very important to identify the potential needs and gaps related to the specific aspects of financial literacy.

II Review Of Literature

The definitions and measures of financial literacy that have been considered in the literacy vary considerable across researchers and studies and have included specific knowledge, the ability or skills to apply that knowledge, perceived knowledge, good financial behavior, or even certain financial experiences. According to President's Advisory Council on Financial Literacy (PACFL) define financial literacy and financial education in order to enhance the financial literacy as one's aptitude to make use of his or her awareness and abilities to effectively and efficiently deal with his or her financial resources for a whole life span for the purpose of financial welfare (PACFL, 2008). Lusardi and Mitchell (2007) define financial literacy as, "knowledge of most basic concepts and financial terms to make a better investment and saving decisions". On the basic these definitions given above various other researchers, financial literacy can be defined as the understanding of fundamental economic and monetary concepts along with the skills to utilize this understanding and information and to handle financial resources effectively and efficiently for a whole life span of financial welfare. Those who are more financially literate are more likely to invest in the stock market and pay attention to fees, to borrow at low costs, to accumulate retirement wealth, and to diversify risk (see, e.g., Lusardi and Mitchell, 2008; van Rooij et al., 2011; Lusardi and de Bassa Scheresberg, 2013; Lusardi and Mitchell, 2014; Lusardi and Tufano, 2015). Thus, it is important to know the extent of women understands of basic financial concepts as well as the degree to which financial skills fall short. Garman and Fogue (2006) highlighted that financial literacy is a fundamental tool in successful financial management. Women have unique needs relating to their financial attitude as they have particular learning preferences about investment alternatives and have different mindsets when it comes to money matters (Hira & Loibl, 2007). However, the research findings indicate that female students consider themselves as being less knowledgeable about financial topics (Hira and Mugenda, 1999), financial analysis (Webster and Ellis, 1996) and investing (Goldsmith and Goldsmith, 1997). In comparison to men, recent studies have also found that women are less knowledgeable financially (Goldsmith and Goldsmith, 2006). It has been stated by Lusardi & Mitchell (2008) that low level of financial literacy had greater impact on women than men, which seems to be true today also. While existing literature shows strong evidence on the gender gap, the samples are often restricted to one country or a handful of countries (Fonseca et al., 2012; Bucher-Koenen et al., 2016). According to Hung et al., (2012) in their study on gender differences regarding financial literacy, women's financial knowledge is worse than that of men and they are less confident in financial skills. The fact has been accepted globally that empowering women with financial knowledge has become a necessity now, given the poor status of women in the country, so that both genders can be at par. There are many determinants of financial literacy level which influences how an individual deals with the routine money matters and financial transactions. It is accentuated by Lusardi et al., (2012) that education has a major impact on financial literacy and his view is in line with Hubbard et al., (1994) that less-educated fail to save as much as highly educated people. It is more likely that educated investors choose their investment alternatives more cautiously and earns higher returns than the less-educated. The ability of well-educated and higher income group to enjoy better returns may result from greater literacy about finances and investment products (Lusardi et al., 2012). Also, Calvet et al., (2007) stated from Swedish data that portfolio returns differed across different education groups. Further, some authors like Kimball and Shumway (2006); Christelis et al., (2007) and Van Rooij et al., (2011) stated that limited financial knowledge or lack of financial sophistication affects an individual's participation in the stock market.

III Objectives Of The Research

1. To measure the level of financial literacy among the women in Saudi Arabia.
2. To analyze the variance of financial literacy between working and non-working women of Saudi Arabia

IV Methodology

The data for the present study has been collected from both primary and secondary sources. Primary data was collected through a well-structured questionnaire circulated among working and non-working women in Saudi Arabia. Secondary data was collected from referred textbooks, journals, magazines, research articles, experts opinions published in various print media, and other library sources. The statistical technique was used to analyze the data in the simplest form and easily converted into the theoretical way. The researcher examines the financial literacy level of Saudi women by designing a questionnaire which is based on OECD survey and distribute it among the working and non-working women in different fields. We collected data on personal finances of the women and try to assess their behavior and, attitude towards financial decisions. A series of fifteen questions were asked to respondents to measure their financial literacy level. The core questions included

in the questionnaire tries to assess the financial knowledge, attitude and behavior of the women. It is believed that demographic factors influence the literacy level of an individual, so we also try to examine its impact on financial literacy geographically.

V Results And Discussion

The Researcher has conducted the Financial Literacy Survey with the aim of understanding the current state of financial mastery among women individuals from Saudi Arabia. The queries were blended with various phrases like "financial knowledge, behavior & attitude" relating to the Financial Literacy. Normative Survey method is applied for this study and a well-structured developed questionnaire was distributed to 54 women respondents under the terrestrial area of Saudi Arabia of which 27 from working women category and the remaining 27 are from non-working category, the category of samples were chosen on the basis of stratified random sampling technique the data has been processed, tabulated and analyzed using percentages and for testing the hypothesis the researcher has applied inferential statistics method "t" test has been considered.

Financial Literacy

Figure-1

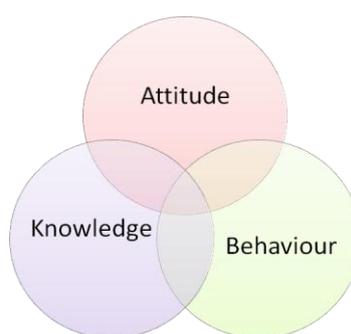


Table-1

Demographic Profile

age	<20 Younger	20-30	30 -40	40 >	-
	5 (9.4 %)	43 (81.14 %)	5 (9.4 %)	0	-
Education	High School/Diploma	Bachelor	Master	Professional	-
	20 (37.73 %)	33 (62.26 %)	0	0	-
Marital Status	Married	Single	separated	Others	-
	17 (32.07 %)	32 (60.38 %)	3 (5.66 %)	1 (1.8 %)	-
Working	Yes	No	-	-	-
	27 (50.00 %)	27 (50.00 %)	-	-	-
Occupation	Own Business	Government	Private	Students	Unemployed
	2 (3.77 %)	1 (1.88%)	14 (26.41 %)	34 (64.15 %)	2 (3.77 %)
Income Level (SAR)	Less than 5,000	5,000 to 10,000	10,000 to 15,000	More than 15,000	-
	16 (30.18 %)	18 (33.96 %)	7 (13.2 %)	12 (22.64 %)	-
Earning Members	Only one	Two	Three	More than three	-
	15 (28.3 %)	16 (30.18 %)	22 (41.5 %)	0 (00 %)	-
Dependents	Only one	Two	Three	More than three	-
	20 (37.73 %)	8 (15.09 %)	25 (47.16 %)	0 (00 %)	-
Provisions	Eastern	Western	Northern	Southern	Central
	38 (71.69 %)	7 (13.2%)	1 (1.88 %)	2 (3.77 %)	5 (9.43 %)
Domiciles	City	Village	-	-	-
	49 (92.45 %)	7.54 %)	-	-	-

Source: Primary Data

The researchers focus on the household environment, marital status, number of earning members in the family through demographic structure. Also, highlight on the family income and the education status of the sample members in addition to details on dependent members in family through this mode. It is apparent from table-1 that, major respondents 77. 22 per cent are from eastern provisions and living in urban areas (92. 59 per cent) with an average income level in between five to ten thousands. Around 62.38 per cent of are holding bachelor's degree and the rest are holding High school or Diploma holders. 42 per cent of respondents stated that they have three earning members in the family on the other hand 31 per cent of them have two earning

members which clearly indicate that these family members needs to understand the importance of financial literacy. On the other angle nearly 48 per cent of the respondents are having three dependents in their family which also indicate that these family’s needs to prepare household budgets so that they don’t find any difficulty when there is financial deficiency in the earning sources

5.1 FINANCIAL KNOWLEDGE

To evaluates financial knowledge of risk diversification, a more sophisticated concept that allows researchers to differentiate respondents across levels of financial literacy. While this is a rather narrow measure of financial literacy, the advantage is that it covers concepts most relevant to savings and investment decisions. Below we discuss the findings of Table-2, financial literacy from financial knowledge.

Table-2

Financial Knowledge

	1	2	3	4
Decisions Maker in the Household	Alone	With Partner	Partner Alone	Family Member
	4 (7.40 %)	19 (35.18 %)	15 (27.77 %)	16 (29.62 %)
Aware of Monthly Expenditure of the Family	Yes	No	---	---
	34 (62.96%)	20 (37.03%)	---	---
Having savings Account	Yes	No	---	---
	34(62.96 %)	20 (37.03 %)	---	---
Able to Operate Credit Card	Yes	No	---	---
	39 (72.22%)	15 (27.77 %)	---	---
Aware of Pension Fund	Yes	No	---	---
	13 (24.07%)	41 (75.92 %)	---	---
Aware of Unsecured Bank Loan	Yes	No	---	---
	16 (29.62%)	38 (70.36 %)	---	---
Aware of Mortgage means	Yes	No	---	---
	19(35.18 %)	35 (64.81 %)	---	---
Aware of Micro Finance Loan	Yes	No	---	---
	16 (29.62%)	38 (70.37 %)	---	---
Aware of Life Insurance	Yes	No	---	---
	25 (46.29%)	29 (53.69 %)	---	---
Knowledge of Simple Interest	More than 102	Exactly 102	less than 102	Don't know
	23 (42.59%)	7 (12.96 %)	10 (18.51 %)	14 (25.92 %)
Time value of Money	more than 200	Exactly 200	less than 200	Don't know
	22 (40.74%)	11 (20.37 %)	6 (11.11 %)	15 (27.77 %)
Knowledge of Inflation Rate	More than today	Remain Same	Less than today	Don't know
	7 (12.96 %)	8 (14.81 %)	10 (18.51 %)	29 (53.7 %)
Risk and Return	Saving	Bonds	Stock	Don't know
	18 (33.33%)	14 (25.92 %)	10 (18.51 %)	12 (22.22 %)
Holding stock of Company –Stands for	own part of comp	lend money to comp	liable for company	none of above
	21 (38.88%)	7 (12.96 %)	1 (1.85 %)	9 (16.66 %)
Holding Bond of the Company–Stands for	own	lend	liable	none
	11 (20.37%)	12 (22.22 %)	6 (11.11 %)	5 (9.25 %)

Source: Primary Data

The Researcher has raised a question with regard to financial decision making and these financial decisions for the household and how that selection is influenced by their personal attributes and the results are clearly showing that only 7.40 per cent of financial decision will be made individually and the rest of 92.60 per cent will be made either with the concern of their partner nor only her partner or the entire family members and majority of the respondents have informed that they have the knowledge of their monthly family expenditure.

Sixty three percent of the respondents have saving account either in nationalized or privatized banks in Saudi Arabia and interestingly 73 per cent of the respondents are aware of credit cards and able to operate the instrument which clearly indicate that nearly 10 per cent of respondents are operating the credit cards of family members without having account with banks.

A basic knowledge of financial instruments is an absolute prerequisite in this 21st century. In order to understanding the level of awareness and experience in financial instruments among the respondents we categorically posed questions related to pension fund, unsecured loan, mortgage stands for, Micro finance loan and Life Insurance. Only 43 per cent of the respondents are aware of life insurance products, 24.04 per cent of the respondents are aware of pension fund and 29.62 per cent of respondents are aware of unsecured banks loans. These results clearly indicate that most of the respondents are unaware of any of the financial Instruments which are accessible in the financial markets. 13 per cent of respondents correctly answered the interest rate and 54 per cent of the respondents are unaware of inflation rate and its impact on financial decisions.

5.2 FINANCIAL ATTITUDE

Attitude plays a big part in the success (or failure) of reaching any goal, The same holds true when it comes to Financial Literacy – if one want to learn more about how to manage the finances and make better financial decisions, financial attitude is a major factor. It is apparent from table 2 that 76 per cent of the respondents take part in financial decision making in their family and 54 per cent of the respondents expressed that they are ready to take financial risk responsibility.

Table-3

Financial Attitude

	1	2	3	4
Take part in decision making	Yes	No		
	41(75.92%)	13(24.07%)		
Take responsibility for financial risk	Yes	No		
	29(53.7%)	25(46.29)		
Access for Credit Resources	Pension Fund	Borrow Employee	Borrow Family	Loan from Saving
	4 (7.4%)	6 (11.11%)	29(53.7%)	15(27.77%)
Personal watch on financial affairs	Disagree	NA	Agree	
	10(18.51%)	28(51.85%)	16(29.62%)	
Application of Portfolio Management	Increase	decrease	Remain same	don't know
	13(24.07%)	26(48.14%)	5(9.25%)	10(18.51%)
Frequency of acquiring information	Every Day	weekly	monthly	never
	16(29.62%)	12(22.22%)	14(25.92%)	12(22.22%)
Parental guardians	Yes	No		
	36(66.66%)	18(33.33%)		
Financial Training by schools/Colleges/Universities?	yes	No		
	47(87.03%)	7(12.96%)		

Source: Primary Data

It is also evident from the table-3 that most of the respondents (54 per cent) try to borrow from known family members in the needy times and only 28 per cent of the respondents are taking the help commercial banks. Almost 70 per cent of the respondents don't have personal watch in their financial affairs and nearly 49 per cent of the respondents mentioned that by spreading the money in different assets will reduce the financial risk which clearly indicate that they have knowledge of portfolio management. 88 per cent of the respondents are in a feeling that educational institutions must play pivotal role in spreading financial literacy to over this financial issues.

5.3 FINANCIAL BEHAVIOR:

In order to know the financial behavior of the women in the way they handle their personal finances, the researchers have posed certain questions to measures perceptions and financial behaviors of the respondents. It is evident from table-4 that, 63 per cent of the respondents are on desirable side and indicated that they prepare the household budgets and 69 per cent of respondents are confident enough in dealing with banking transactions. 45 per cent of the respondents has taken personal loan whereas 43 per cent of the respondents have not experienced the loan so far and the same per cent of the respondents expressed that they never like to take loans and 41 per cent would like to take loans occasionally. Half of the respondents are not in a position to take decision to set long term goals where only 33 per cent of the respondents are having a habit of setting long term goals. It is apparent from the table-4 that more than 41 per cent of respondents are capable to handle the situation and maintain sufficient of liquid balance at least for six months without any financial troubles in the event of losing the jobs which shown positive behavior towards finances aspects.

Table-4

Financial Behavior

	1	2	3	4	5
Prepare Family Household budget	yes	No			
	34(62.96%)	20(37.03%)			
Confident in Bank Transaction	yes	no			
	37 (68.51%)	17 (31.48%)			
Loan Experience	Education loan	Personal Loan	Real Estate Loan	Business Loan	No Loan
	4 (7.4%)	24 (44.44%)	1 (1.85%)	2 (3.70%)	23 (42.59%)
Opinion on borrowings	Never	Occasionally	Always		
	23 (42.59%)	22 (40.74%)	9 (16.66%)		
Set long-term goals	Disagree	NA	Agree		
	9(16.66%)	27(50%)	18(33.33%)		
Survival & Liquid balance	1week	less than 3 months	3 months	more than 6months	
	10(18.51%)	8(14.81%)	14(25.92%)	22(40.74%)	

Source: Primary Data

5.4 Test of Hypothesis

To know the difference between of financial literacy among the working and non-working women individuals of Saudi Arabia, the researcher applied “t” test the significance level by considering the following alternative hypothesis.

H₁: There is a significant difference in the financial literacy between working & non-working women.

Table 4

Test of Hypothesis

t-Test: Two Sample for Means	Working	Non-Working
Mean	9	9.037037
Variance	10.46154	10.26781
Observations	27	27
Pooled Variance	10.36467236	
Hypothesized Mean Difference	0	
Df	52	
t Stat	-0.042269327	
P(T<=t) one-tail	0.48322943	
t Critical one-tail	1.674689154	
P(T<=t) two-tail	0.966445	
t Critical two-tail	2.00664629	

Adverting to the above table, it is clear that the test of statistic is -0.042269 with a critical value of ± 1.6746 at a 5 per cent level of significance, enough statistical evidence is recommending to reject the alternative hypothesis. It is concluded that there is a no statistical significant difference of financial literacy between working and non working women in Saudi Arabia.

VI Conclusion

The main aim of the present study was to measure the level of the financial literacy and behavior among Saudi working and non-working women. The level of financial knowledge is measured using a set of fifteen questions to capture their basic numeracy and understanding of computation of simple and compound interest (time value of money), the relationship between inflation and return, inflation and prices, risk and return, and the role of diversification in risk reduction. Most of the respondents are with average financial knowledge and in some categorized the sample is possessing poor financial knowledge. Financial behavior is measured through response to questions that pertain to how respondents deal with money in their daily lives. A total of six items are used to unravel whether the respondents confident in operating bank transactions, practice long-term financial planning and monitor household budget, having loan experience, and financial affairs, make efforts to evaluate financial products and habitually engage in the act of saving and borrowing. Most of the respondents have answered satisfactorily and demonstrated the positive financial behavior. The financial attitude of respondents is measured using eight items to capture the respondents’ extent of belief in taking part in

decision making, risk-bearing capacity, searching for credit resources and portfolio management. Respondents are weak in some of the areas where imparting of financial knowledge is very essential. The results show that there is no relationship between financial literacy and an individual's level of education. The result also shows that there is no relationship between a working and non-working women individual's financial literacy. Government and institutions have to play the vital role and plan to inculcate financial literacy among Saudi Arabian women to reap the benefits over the years to come.

Reference

- [1]. Calvet, L., Campbell J. Y. and Sodini, P. (2007), "Down or Out: Assessing the Welfare Costs of Household Investment Mistakes." *Journal of Political Economy*, 115(5), 707-747.
- [2]. Cole, S., and Kartini S., (2009), *Smart Money: The Effect of Education, Cognitive Ability, and Financial Literacy on Financial Market Participation*, Harvard Business School Working Paper 09-071.
- [3]. Christelis, D., Tullio J., and Mario P., (2007), *Cognitive Abilities and Portfolio Choice*, CEPR Discussion Paper No. 5735.
- [4]. Cole S., T. Sampson, and B. Zia (2009). "Financial Literacy, Financial Decisions, and the Demand for Financial Services: Evidence from India and Indonesia." Harvard Business School Working Paper 09- 117.
- [5]. Garman T.E. Fogue R.E.,(2006), *Personal Finance* (8th ed.). Boston: Houghton Mifflin Company
- [6]. Goldsmith R.E. Goldsmith E.B.,(1997:80), Gender differences in perceived and real knowledge of financial investments, *Journal of Psychological Reports*, pp.236-238.
- [7]. Goldsmith R.E. Goldsmith E.B., (2006), The Effects of Investment Education on Gender Differences in Financial Knowledge *Journal of Personal Finance*, 5(2): 55-69.
- [8]. Hubbard, R.G., Skinner, J. and Zeldes, S. (1994), "Precautionary Savings and Social Insurance." *Journal of Political Economy*, 103(2), 360-399.
- [9]. Hira T.K. Mugenda O.M., (2000), Gender Differences in Financial Perceptions, Behaviors and Satisfaction. *Journal of Financial Counseling and Planning*,13(2): 86-92.
- [10]. Hung, A., Yoong J., and Brown E. (2012), "Empowering Women Through Financial Awareness and Education", OECD Working Papers on Finance, Insurance and Private Pensions, No. 14, OECD Publishing. <http://dx.doi.org/10.1787/5k9d5v6kh56g-en>
- [11]. Kimball, M. and Shumway, T. (2006), "Investor Sophistication and Home Bias, diversification, and Employer Stock Puzzles", University of Michigan Working Paper.
- [12]. Lusardi, A. and Mitchell, O.S. (2007b). *Financial Literacy and Retirement Preparedness: Evidence and Implications for Financial Education*. *Business Economics*, January 2007, pp. 35-44.
- [13]. Lusardi, Annamaria. 2004. "Saving and the Effectiveness of Financial Education." in Olivia S. Mitchell and Stephen Utkus (eds.), *Pension Design and Structure: New Lessons from Behavioral Finance*, Oxford: Oxford University Press, 2004, pp. 157-184
- [14]. Lusardi, Annamaria, and Carlo de Bassa Scheresberg. 2013. "Financial Literacy and High-Cost Borrowing in the United States." Working Paper 18969, Cambridge, MA: NBER.
- [15]. Lusardi, Annamaria, and Olivia S. Mitchell. 2008. "Planning and Financial Literacy: How Do Women Fare?" *American Economic Review* 98 (2): 413-417.
- [16]. Lusardi, Annamaria, and Olivia S. Mitchell. 2014. "The Economic Importance of Financial Literacy: Theory and Evidence." *Journal of Economic Literature* 52 (1): 5-44.
- [17]. Lusardi, A., (2012), *Financial literacy and Financial decision-making*, *Numeracy*, 5(1).
- [18]. Moon, Chung-S., Kyungyoung Ohk and Chul Choi (2014). "Gender Differences in Financial Literacy among Chinese University Students and the Influential Factors" *Asian Women*, 30(2): 3– 25.
- [19]. Noctor, M.S. Stoney & R. Stradling (1992). "Financial Literacy: A discussion of concept & competences of financial literacy & opportunities for its introduction into young people learning" MA thesis, National foundation for educational research, Slough England.
- [20]. Van Rooij, M., Lusardi, A. and Alessie, R. (2011), *Financial literacy and stock market participation*, *Journal of Financial Economics*, 101(2), 449-472.
- [21]. Webster R.L. Ellis T.S. Men's and Women's Self-Confidence in Performing Financial Analysis. *Journal of Psychological Reports*, 1996, 79:1251-1254.

Dr. Raj Kumar Boora. "Financial Literacy: Evidence from Saudi Women." *IOSR Journal of Business and Management (IOSR-JBM)* 20.5 (2018): PP 38-44.