Perceived financial literacy, choice of investment and retirement planning amongst women

Mahima Mathur, Madhavi Ayyagari, Sanjai Parahoo

Murdoch University Dubai, UAE

The demographic trends indicating an ageing population, as well as social changes like the shift from extended to nuclear families, give rise to the need for financial preparedness for retirement planning, especially amongst vulnerable groups and women.

One of the important determinants of financial preparedness is financial literacy which is the financial knowledge possessed and the ability to effectively process economic information. Financial literacy enables informed decision making and appropriate related actions in preparing for a retired life (Njuguna & Otsola, 2011).

In practice, Financial literacy may be classified into two distinct components: perceived financial literacy (PFL); and actual financial literacy (AFL). PFL is the person’s subjective perception of his/her level of financial literacy. It also termed as financial confidence since it reflects a person’s self-beliefs about her/his own level of financial literacy. AFL, on the other hand, is a more objective determination of financial literacy, being formally assessed on a set of valid evaluation questions.

Though there have been several studies on Financial Literacy, there is a dearth of studies that examine the perspective of women, who are particularly vulnerable when it comes to financial preparedness at the time of retirement. The present study therefore examines the influence of PFL and AFL on financial preparedness for retirement with specific reference to women.

The study adopts a descriptive methodology and modelling to assess the extent to which AFL, PFL and demographics affect financial preparedness among women. The findings of a baseline study among women residing in the United Arab Emirates are presented and several implications are discussed to support the financial preparedness of the women.

Key words: Perceived financial literacy, Actual financial literacy, Financial preparedness