

LB/TH/46/2025

TH6043

**ANALYSING THE FINANCIAL LITERACY BETWEEN
THE WORKING AND NON-WORKING WOMEN IN SRI
LANKA USING THE BLINDER OAXACA
DECOMPOSITION**

S. S. Langappuli

208589D

MSC IN FINANCIAL MATHEMATICS

Department of Mathematics

Faculty of Engineering

University of Moratuwa

Sri Lanka

**ANALYSING THE FINANCIAL LITERACY BETWEEN
THE WORKING AND NON-WORKING WOMEN IN SRI
LANKA USING THE BLINDER OAXACA
DECOMPOSITION**

S. S. Langappuli

208589D

Thesis/Dissertation submitted in partial fulfillment of the requirements for the degree
MSc in Financial Mathematics

Department of Mathematics
Faculty of Engineering

University of Moratuwa
Sri Lanka

DECLARATION

I declare that this is my work and this thesis/dissertation does not incorporate without acknowledgment any material previously submitted for a degree or diploma in any other University or Institute of higher learning and to the best of my knowledge and belief it does not contain any material previously published or written by another person except where the acknowledgment is made in the text. I retain the right to use this content in whole or part in future works (such as articles or books).

Saumya Seedeve Langappuli

208589D

Signature:

Date: 08.14.2024

The above candidate has carried out research for the Masters thesis/dissertation under my supervision. I confirm that the declaration made above by the student is true and correct.

Name of Supervisor: Mr. Rohana Dissanayake

15-08-2024

Signature of the Supervisor:

Date:

DEDICATION

To my supervisor, who always paid his earliest response and his valuable time to this effort. I am proud that I had this invaluable opportunity to work under his guidance.

To my beloved husband, whose unlimited support has been my inspiration, I am eternally grateful.

To my precious son, who has patiently counted my absence, your understanding and quiet sacrifices have been the greatest encouragement through this journey.

To my wonderful parents for making my journey smooth and carefree. Your selfless act of care towards me and my responsibilities has led me this far. You are the reason for who I am now.

Last but not least, this effort stands as a tribute to all women who are undervalued. Your contribution and boundless potential are a must to reshape our society against unseen economic odds.

ABSTRACT

Financial literacy is a crucial attribute of making day-to-day financial reasoning. (Lisa & Bilal, 2016) Claim that low financial literacy occurs regardless of the level of the country's economic situation. Poor financial literacy leads to critical financial conditions for any considered economy, and recently the attention towards the level of financial literacy of individuals, by governments, regulators, institutions, and academics has grown. Many researchers argued that the variety of barricades makes it difficult for women to steer and partake equally in the financial world. This paper explores the gap between a random sample of 440 working and non-working women's financial literacy using a modified version of the famous (Lusardi & Olivia, n.d.) financial literacy questionnaires in Sri Lanka. Descriptive statistics emphasized that the majority of the respondents were aged between 25-35 and 45% of respondents were financially literate. Two T-square tests indicated that the mean of nonworking women laborers' financial knowledge and financial attitude is less than the mean of working women laborers. Finally, Blinder Oaxaca's Decomposition analyzed that on average, non-working women possess slightly less financial knowledge and less attitude toward financial matters compared to working women. Income and age variables are insignificant in explaining the financial literacy gap. These results shed insight into the urge for tailored financial literacy programs for nonworking women and more prominent to empower their employment and involvement in financial reasoning. This study contributes to the broader discourse on women's contribution to economic empowerment, offering evidence-based recommendations for bridging the financial literacy gap and underscoring the policy interventions to enhance the financial knowledge of women from their younger ages.

Keywords: Financial Literacy, Women Empowerment, Blinder Oaxaca Decomposition, Comparative Analysis

TABLE OF CONTENTS

DECLARATION	I
DEDICATION	II
ABSTRACT	III
TABLE OF FIGURES	VI
CONTENTS OF TABLES	VII
CHAPTER 1	1
1. INTRODUCTION	1
1.1 Exposing “Financial Literacy”	2
1.2 Significance of financial literacy	3
1.3 Why Focused on Women	4
1.4 What are the measurements of financial literacy?	6
1.5 Research Problem	8
1.6 Research Objectives	9
1.7 Limitations.....	9
1.8 Chapter Outline.....	10
CHAPTER 2	11
2. LITERATURE REVIEW	11
2.1 Theoretical Review.....	11
2.2 Methodological Review.....	14
CHAPTER 3	16
3. METHODOLOGY	16
3.1 Study Approach.....	16
3.2 Econometric Procedure	19
CHAPTER 4	26
4. DATA ANALYSIS.....	26
4.1 Descriptive Data Analysis.....	26

4.2 Inferential Analysis:..... 29

CHAPTER 5 36

5. **CONCLUSION & DISCUSSION**36

 5.1 Future Research Directions 38

REFERENCES..... 39

TABLE OF FIGURES

Figure 1: Conceptual Framework.....	19
Figure 2: Path Diagram of FL, FKW and FAT	20
Figure 3: Graphical Representation of Blinder-Oaxaca Decomposition	24
Figure 4: Age Distribution	26
Figure 5: Area Distribution (Provincially)	26
Figure 6: Education Distribution.....	27
Figure 7: Income Distribution.....	27
Figure 8: Cronbach Alpha.....	29

CONTENTS OF TABLES

Table 1: Definitions of Financial Literacy	2
Table 2: Empirical Evidence related to the topic	6
Table 3: Overall Financial Interpretation	17
Table 4: Variable Descriptions.....	18
Table 5: Frequency percentage of Decision Makers	28
Table 6: Frequency percentage of Retirement Planned women.....	28
Table 7: Bartlett's test of equal variances for Financial Knowledge.....	29
Table 8: Mean Difference in Financial Knowledge between working and nonworking women	30
Table 9: Bartlett's test of equal variances for Financial Attitudes	31
Table 10: Mean Difference of Financial Attitudes between Working and nonworking women	31
Table 11: Normality Test	32
Table 12: Blinder Oaxaca Decomposition Output	33