Investment Decisions among Homemakers: The Influence of Financial Technology, Income, and Financial Literacy

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Abstract

Homemakers play a crucial role in family financial decision-making, but the literature on the factors influencing their investment behavior is limited. This study aims to conduct a systematic review of the existing literature on the impact of financial technology, income level, and financial literacy on the investment decisions made by homemakers.The literature review was conducted by searching for relevant scientific articles through online databases such as Google Scholar, Scopus, and Web of Science. Articles that met the inclusion and exclusion criteria were qualitatively analyzed. Based on the literature review, financial technology, income level, and financial literacy were found to be critical factors influencing investment decisions among homemakers. The advancement of financial technology (fintech) has increased the accessibility and participation of homemakers in investing. Higher income levels provide homemakers with more adequate financial resources to invest. Good financial literacy enables homemakers to make more informed and profitable investment decisions. The findings of this literature review underscore the importance of financial technology, income, and financial literacy in driving investment participation among homemakers. These insights can serve as a foundation for future empirical research and have significant implications for academics, regulators, and financial industry practitioners in developing strategies to enhance financial inclusion and household financial well-being.

Keywords: *Investment, Financial Technology, Income, Financial Literacy.*

INTRODUCTION

Financial inclusion is a critical issue for the economic empowerment of women. Limited access to formal financial services has been one of the barriers for many women, especially in developing countries, to fully participate in the economic system. According to World Bank data, in 2017 only 65% of women worldwide had an account at a formal financial institution, compared to 72% of men (World Bank, 2018). The development of financial technology (fintech) is considered a potential solution to expand financial access for underserved communities, including women. Fintech offers a range of financial services that are more affordable, accessible, and tailored to user needs (Demirgüç-Kunt et al., 2018). By leveraging digital platforms, fintech can help overcome the geographical, infrastructural, and cost constraints that often limit women's access to traditional financial institutions (Klapper & Singer, 2017).

Various fintech initiatives targeted at women have emerged across the globe. For example, a peer-to-peer lending platform in Kenya that specifically serves the financing needs of women entrepreneurs (Mbiti & Weil, 2016). Or a digital wallet application in India that provides convenience in transactions and savings for low-income women (Frost et al., 2020). However, the extent to which fintech solutions are effective in improving women's financial inclusion still requires more comprehensive empirical evidence. Currently, research evidence on the impact of fintech on women's financial inclusion is limited and scattered. Some studies have shown positive results, while others have found less significant impacts (Demirgüç-Kunt et al., 2017; Fanta & Mutsonziwa, 2016). Variations in contexts, designs, and research methodologies make it difficult to draw strong conclusions. Therefore, a systematic synthesis of the evidence through meta-analysis is needed to provide a more comprehensive understanding of the effectiveness of fintech in enhancing financial inclusion among women.

METHOD

This study is a literature review that gathers and acquires data from primary and secondary sources. The data obtained from these sources includes research findings, articles, and journals that focus on the correlation between financial literacy and women's empowerment. The data utilized in this study is secondary data. The examination and analysis of theories and the connections between variables are conducted by referring to offline books and journals available in libraries, as well as online sources obtained through platforms like Mendeley, Scholar Google, and other electronic media.

RESULTS AND DISCUSSION

Theory of Technological Innovation

Technological innovation, such as financial technology (fintech), can enhance the efficiency, accessibility, and inclusiveness of financial services (Gomber et al., 2018). Fintech can help overcome traditional barriers in access to financial services, such as cost, distance, and documentation requirements, which often limit financial inclusion for women in developing countries (Demirgüç-Kunt et al., 2018).

Fintech influence on the investment decisions of homemakers.

Fintech provides digital platforms that facilitate homemakers' access to relevant financial information, such as investment product characteristics, returns, and risk profiles. This increased transparency and ease of access to information helps homemakers make more informed investment decisions that align with their financial goals. Sahay et al. (2020) have shown that fintech can enhance the public's, including homemakers', access to relevant and trustworthy financial information.

Ozili (2018) found that the user-friendly features and affordable costs of fintech applications can encourage homemakers to engage in investment activities. Hau et al. (2019) suggest that fintech can expand the investment instruments available to homemakers, supporting the diversification of their investment portfolios. Alam et al. (2021) indicate that fintech platforms providing interactive financial education content can improve the financial literacy of homemakers, which in turn promotes more informed investment decisions. Jagtiani and Lemieux (2018) found that fintech features, such as digital investment dashboards and transaction notifications, can help homemakers monitor and manage their investment portfolios more effectively, thereby enhancing their confidence and trust in making investment decisions.

Income influences on Homemakers' Investment Decisions

Households with higher incomes tend to have greater financial literacy and risk tolerance, influencing their investment portfolio allocations (Erner et al., 2019). Increases in household income significantly enhance wealth accumulation and affect investment decisions, particularly among homemakers (Agarwal et al., 2020). Bover et al. (2021) find that higher-income households are more likely to invest in riskier assets, such as stocks, while lower-income households prefer safer assets. Bucher-Koenen et al. (2021) suggest that gender differences in financial literacy, influenced by income, can impact investment decision-making among homemakers. Higher-income households tend to have more diversified investment portfolios and are better able to effectively repay debt (Gathergood et al., 2021).

Financial literacy influences investment decisions among homemakers.

Better financial literacy, especially among homemakers, is associated with more informed and diverse investment decisions (Bucher-Koenen et al., 2021). Higher financial literacy enables homemakers to make more optimal investment decisions and manage their investment portfolios more effectively (Erner et al., 2019). Low financial literacy, particularly among homemakers, is associated with suboptimal investment decisions and poorer portfolio performance (Mitchell, 2014). Homemakers with better financial literacy tend to make more appropriate investment decisions and achieve higher investment returns (Clark et al., 2017). Higher financial literacy among homemakers is associated with increased wealth accumulation through better investment decisions (Chu et al., 2020).

Table 1. Research Previously

No	Researcher (Year)	Research Title	Research Objective	Findings
1	Wonglimpiyarat (2020)	FinTech Banking Industry: A Systematic	To conduct a systematic literature review on the fintech	Fintech can improve the accessibility and financial

		Review of Literature	banking industry and its impact on household finance.	literacy of housewives, encouraging them to be more actively involved in investment activities.
2	Zhao et al. (2021)	"Financial Literacy, Overconfidence, and Stock Market Participation"	To examine the relationship between financial literacy, overconfidence, and stock market participation at the household level.	Housewives with good financial literacy but high levels of overconfidence tend to make less optimal stock investment decisions.
3	Kefela (2021)	The Impact of Financial Literacy on Household Financial Behavior	To evaluate the impact of financial literacy on household financial behavior, including investment decision-making .	Financial literacy has a significant positive influence on the ability of housewives to make appropriate and profitable investment decisions.
4	Lusardi and Mitchell (2011)	Financial Literacy and Retirement Planning in the United States	To investigate the role of financial literacy in retirement planning, which impacts long-term investment decisions.	Housewives with better financial literacy tend to plan and invest for their retirement more effectively.

5	Gai and Ielasi (2014)	The Role of Financial Literacy and Risk Attitude in Investment Decisions	To analyze the influence of financial literacy and risk attitude on investment decision-making.	Higher levels of financial literacy enable housewives to make investment decisions that are more appropriate to their risk profile.
6	Comerton-Forde et al. (2021)	Investment Decisions Across the Life Cycle: The Role of Financial Literacy	To investigate the influence of financial literacy on household investment decisions across different life cycle stages.	Housewives with higher financial literacy make more targeted and profitable investment decisions, especially as they approach retirement.
7	Bongini et al. (2019)	Financial Literacy and Household Financial Wealth: the Role of Parental Teaching	To analyze the impact of parental financial education on the financial literacy and financial wealth of households.	Housewives who receive financial education from their parents from an early age tend to have better financial literacy and financial wealth.
8	Agarwal et al. (2020)	The Role of Household Debt in Investment Decisions: The Case of Small Businesses	To examine the influence of household debt levels on investment decisions in small businesses.	Housewives with high debt levels tend to be more cautious in investing in small businesses due to limited capital.

Source: Processed by Researchers, 2024

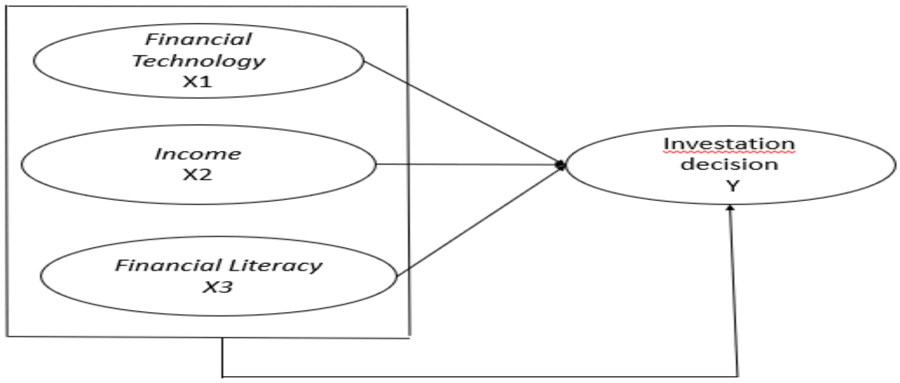

Figure 1. Theoretical Framework
Source: Processed by Researchers, 2024

CONCLUSION

The previous research findings confirm that financial technology, income level, and adequate financial literacy play a crucial role in encouraging homemakers to make more informed investment decisions and optimize investment outcomes for household financial well-being. The advancements in fintech have expanded the reach and accessibility of various investment products and services for homemakers. Intuitive and user-friendly fintech platforms have increased the engagement of homemakers in investment activities. Fintech features, such as ease of transactions, information transparency, and integrated portfolio management, have enhanced the trust and convenience of homemakers in investing. Homemakers with higher incomes tend to have more adequate financial resources to invest. They can allocate a portion of their income to various types of investments, both short-term and long-term. However, even low-income homemakers can invest by leveraging affordable fintech products. Homemakers with better financial literacy have proven to be able to make more targeted and profitable investment decisions. They have better knowledge of financial concepts, risk management, and investment portfolio diversification. With strong financial literacy, homemakers can avoid investment mistakes and enhance their long-term investment returns.

ACKNOWLEDGEMENT

The implications of this research can be considered by practitioners and academics to provide new insights into the factors influencing investment behavior, particularly among homemakers, who often receive less attention in financial literature. These findings can enrich the theoretical understanding of investment decision-making by considering demographic aspects, technological advancements, and financial literacy. This study can spur further research to explore more deeply the dynamics of investment at the household level and among other community groups. The research findings can serve as a reference to develop more comprehensive models and conceptual frameworks for

understanding the investment behavior of the general population. Furthermore, these findings can help fintech practitioners to continue innovating and providing more user-friendly, affordable, and tailored digital solutions that cater to the investment needs of homemakers. This can empower homemakers to make more informed and optimal investment decisions, ultimately contributing to the financial well-being of their households.

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