

Assessing The Financial Literacy Level Among Women in India: An Empirical Study

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Abstract

Financial Inclusion cannot be achieved with financial literacy in economy. The increasing liberalisation in social status of women has definitely shown positive change in condition of women in India. The study was conducted to explore the level of financial literacy among females in city of Mumbai. The research also aimed at assessing the knowledge of females towards investment in various financial instruments. Thus, a structured questionnaire was circulated among women in Mumbai to assess the financial literacy level of females. Results of the analysis revealed that most of the females in India do possess certain kind of financial security, but they are still financially illiterate. Further analysis of paper indicates that in the Indian society, there are very few realistic examples where women actually participate in decision making process in the family. It was found that women in urban areas do have financial freedom to take decisions not only with respect to their personal investments but also for the family as a whole. Still majority of females are highly ignorant about different investment opportunities in the market. This research will help companies in bringing out various awareness programmes regarding different investment options so that it can increase capital formation in country.

Keywords: Financial literacy, females, financial instrument, innovative.

1. Introduction

Financial Literacy is becoming significant in achievement of financial inclusion in the economy. Financial

inclusion aims at expansion of financial services to under privileged groups in the society. It also aims to cover the basic financial needs of the economy as whole. Financial education is not only important for an investor but also for the common man in the country. This is because in the average family income, it becomes necessary for the entire family to balance their budget with growing needs of the family and hence it becomes absolutely necessary to have adequate knowledge about different types of investment product so as to address those needs at various stages of life. Previously, it was sufficient for an investor to have a basic understanding of how to check and maintain accounts at local banks etc, but in today's competitive world an investor has to have knowledge about different financial products since the economy as well as lifestyle of individual is undergoing a dynamic transition.

2. Literature Review

(Huston, 2010) has discussed the need of financial literacy and explained the variation in financial outcomes. He further stated that measuring financial literacy is important to understand educational impact as well as barriers to effective financial choice. (Lusardi et.al, 2010), have examined financial literacy among the young and found that financial literacy was strongly related to socio demographic characteristics and family financial sophistication. (Eitel and Martin, 2009) has supported the need for financial literacy education as an integrated component of higher education, as well as a need for professional personal financial planners

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to ensure future financial stability and success for those who graduate and those who do not. (Bruine et al, 2010) have suggested suggest that demographic differences in inflation expectations may be partially explained by variations in expectation formation and financial literacy. (Monticone, 2010) have investigated the determinants of financial literacy and acknowledged the widespread lack of financial literacy casts serious doubts on the ability of individuals to make financial decisions. (Lusardi and Mitchell, 2008) have studied the financial literacy among mature U.S. women and suggested that older women in the U.S. have low levels of financial literacy, and have done little planning for retirement. In addition, retirement planning is more common among women who are financially literate. (Stone, Wier and Stephanie M, 2008) have examined the link between materialism and financial literacy and found that financial education may also reduce materialism.

3. Research Methodology

3.1 Research Objective

The primary objective of the study was to explore the level of financial literacy among females in city of Mumbai. The research also aimed at assessing the knowledge of females towards investment in various financial instruments.

3.2 Data Collection

Primary data was collected through a structured questionnaire that was distributed among women in Mumbai. The questionnaire contained open ended questions as well as it incorporated various parameters that were framed to understand the financial literacy level of women in Mumbai.

3.3 Sample Size

The sample size consists of 100 female respondents. Convenience sampling technique was used for period of two months (Jan – Feb 2010).

3.4 Research Design

Question wise analysis was made with the help of Excel and SPSS version 16.0. Statistical tests like Chi Square, ANOVA were applied on the data for testing of hypothesis and Factor Analysis was carried out to determine

4. Findings & Analysis

4.1 Hypotheses 1

H₍₀₎₁: Usage of Online banking services is not dependent on education level of females

H₍₁₎₁: Usage of Online banking services is dependent on education level of females

Data Interpretation

From the Table II, it has been found that the chi value stands at 16.986. The significance of the hypotheses is

Table 2 Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.986 ^a	2	.000
Likelihood Ratio	17.423	2	.000
Linear-by-Linear Association	14.382	1	.000
N of Valid Cases	100		

Table 1 Education * online banking Cross tabulation

			online banking		Total
			Yes	No	
Education	Undergraduate	Count	2	8	10
		Expected Count	4.2	5.8	10.0
	Graduate	Count	11	34	45
		Expected Count	18.9	26.1	45.0
	Post Graduate	Count	29	16	45
		Expected Count	18.9	26.1	45.0
Total	Count	42	58	100	
	Expected Count	42.0	58.0	100.0	

0.000 which is quite lesser than 0.05 at 95% confidence level. Thus we reject null hypotheses and accept alternative hypotheses. Hence usage of online banking services greatly depends upon the education level of females. It has been found that nearly 80% of undergraduates, due to lack of knowledge; do not use online banking services whereas nearly 65% of Post Graduates prefer to use online banking services instead of visiting the bank. This implies that a highly qualified female is more financially literate and would meet its banking needs on internet itself. Thus there is significant difference in the usage pattern of online banking services by females with different educational backgrounds.

4.2 Hypotheses 2

$H_{(0)2}$: Investment in other financial instruments does not significantly depend upon the awareness level of females

$H_{(1)2}$: Investment in other financial instruments does significantly depend upon the awareness level of females

Data Interpretation

From the Table IV, it has been found that the chi value stands at 4.426. The significance of the hypotheses is 0.035 which is quite lesser than 0.05 at 95% confidence level. Thus we reject null hypotheses and accept

alternative hypotheses. It has been commonly found that females prefer more secured form of investment like fixed deposits, bonds etc. But the above analysis shows that there has been shift in the preference of women towards other financial instruments. Nearly 67% of females, who are aware of different investment options, would definitely try to experiment with one of those options. This is possible due to higher awareness created by these various financial instruments like insurance, stock markets etc. Therefore it can be said that the decision of female in investing in other financial instruments is significantly dependent on the awareness level of that female with respect to that investment option.

4.3 Hypotheses 3

$H_{(0)3}$: Monetary Investment decisions in household are not significantly related to working status of female.

$H_{(1)3}$: Monetary Investment decisions in the household are significantly related to working status of female.

Data Interpretation

From the Table VI, it has been found that the chi value stands at 7.641. The significance of the hypotheses is 0.266 which is greater than 0.05 at 95% confidence level. Thus we accept null hypotheses and reject alternative

Table 3 Awareness * other financial instruments Cross tabulation

		Other financial instruments		Total	
		Yes	No		
Awareness	Yes	Count	41	21	62
		Expected Count	36.0	26.0	62.0
	No	Count	17	21	38
		Expected Count	22.0	16.0	38.0
Total	Count	58	42	100	
	Expected Count	58.0	42.0	100.0	

Table 4 Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.426	1	.035
Likelihood Ratio	4.419	1	.036
Linear-by-Linear Association	4.382	1	.036
N of Valid Cases	100.0		

Table 5 Occupation * Monetary Investment Cross tabulation

			Occupation				Total
			Business Woman	Salaried Female	Professional	Housewife	
Monetary investment	Yes	Count	5	9	17	19	50
		Expected Count	3.5	6.0	17.5	23.0	50.0
	No	Count	1	0	9	10	20
		Expected Count	1.4	2.4	7.0	9.2	20.0
	Sometimes	Count	1	3	9	17	30
		Expected Count	2.1	3.6	10.5	13.8	30.0
Total		Count	7	12	35	46	100
		Expected Count	7.0	12.0	35.0	46.0	100.0

Table 6 Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.641 ^a	6	.266
Likelihood Ratio	9.876	6	.130
Linear-by-Linear Association	4.067	1	.044
N of Valid Cases	100.0		

hypotheses. The above analysis shows that whether a woman is working or not, her decisions with regards to monetary investment in the household, does not create significant impact in her decision making process. It has been found that majority of house wives; nearly 43% do take important monetary decision on their own for the entire household. The same pattern is reflected for the females who are either engaged in some kind of business or pursue some kind of profession or are a normal salaried employee of some organisation; do have financial autonomy in the household with respect to monetary investments. One possible reason could be

influence of women liberalisation policies adopted by government or due to effect of globalisation or it can be also due to sophisticated kind of lifestyles adopted in India, especially in metro cities. Thus in cities like Mumbai, financial autonomy in decision making process is quite independent of the working status of female.

4.4 Hypotheses 4

H₍₀₎₄: Accessing Financial expertise on investments does not depend upon female educational qualifications

Table 7 Crosstabs

			Financial expertise					Total
			Very Low	Low	Moderate	High	Very High	
Education	Undergraduate	Count	5	4	1	0	0	10
		Expected Count	.8	3.6	3.5	1.6	.5	10.0
	Graduate	Count	3	21	13	4	4	45
		Expected Count	3.6	16.2	15.8	7.2	2.2	45.0
	Post Graduate	Count	0	11	21	12	1	45
		Expected Count	3.6	16.2	15.8	7.2	2.2	45.0
Total		Count	8	36	35	16	5	100
		Expected Count	8.0	36.0	35.0	16.0	5.0	100.0

Table 8 Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	41.679 ^a	8	.000
Likelihood Ratio	35.584	8	.000
Linear-by-Linear Association	16.223	1	.000
N of Valid Cases	100.0		

H₍₁₎4: Accessing Financial expertise on investments does depend upon female educational qualifications

Data Interpretation

From the Table VIII, it has been found that the chi value stands at 41.769. The significance of the hypotheses is 0.000 which is far lesser than 0.05 at 95% confidence level. Thus we reject the null hypotheses and accept alternative hypotheses. The above analysis indicates that educational qualification of a female do play a important role for approaching the financial consultant so as to get an expert opinion on investment matters. Analysis reveal that nearly 76% of post graduate females (clubbing together the moderate, high and very high categories) take the benefit of financial expertise whereas nearly

46% of female graduates do approach to the consultant. As far as undergraduates are concerned, they are highly ignorant to use the expertise advice. This is because their knowledge is not updated with the emergence of modern risks associated with various investments. Thus it can be concluded that academic pursuits do make difference in managing the investments.

4.5 Hypotheses 5

H₍₀₎5: Opening a Personal bank account is not dependent upon working status of female.

H₍₁₎5: Opening a Personal bank account is dependent upon working status of female

Table 9 Occupation * bank account Cross tabulation

Occupation		bank account		Total
		Yes	No	
Business Woman	Count	7	0	7
	Expected Count	5.8	1.2	7.0
Salaried Female	Count	11	1	12
	Expected Count	10.0	2.0	12.0
Professional	Count	28	7	35
	Expected Count	29.0	6.0	35.0
Housewife	Count	37	9	46
	Expected Count	38.2	7.8	46.0
Total	Count	83	17	100
	Expected Count	83.0	17.0	100.0

Table 10 Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.510 ^a	3	.473
Likelihood Ratio	3.788	3	.285
Linear-by-Linear Association	1.811	1	.178
N of Valid Cases	100.0		

Data Interpretation

From the Table X, it has been found that the chi value stands at 2.510. The significance of the hypotheses is 0.473 which is quite greater than 0.05 at 95% confidence level. Thus we accept the null hypotheses and reject alternative hypotheses. The above analysis indicates that opening of a Personal bank account is not significantly related to the working status of the female. Further analysis reveals that nearly 83% of females do have their own bank account. Thus it is not necessary for the female that the financial needs of female can be expert opinion on investment matters. Analysis reveal that nearly 76% of post graduate females (clubbing together the moderate, high and very high categories) take the benefit of financial expertise whereas nearly 46% of female graduates do approach to the consultant. As far as undergraduates are concerned, they are highly ignorant to use the expertise advice. This is because their knowledge is not updated with the emergence of modern risks associated with various investments. Thus it can be concluded that academic pursuits do make difference in managing the investments.

4.6 Hypotheses 6

H₍₀₎₆: There is no significant difference in risk taking attitudes of respondents with different educational background.

H₍₁₎₆: There is no significant difference in risk taking attitudes of respondents with different educational background.

Data Interpretation

From the Table (11), it has been found that the there is much difference between the two Mean Squares (5.431 and 0.837), resulting in a significant difference ($F = 6.571$; $Sig. = 0.002$). Thus we reject the null hypotheses and accept alternative hypotheses. This means that average risk taking attitude of people with different academic qualifications are not equal. But rejection of null hypotheses does not denote that the average means of the entire population is different. Thus it is necessary to know that which groups within the population have significant difference in risk taking attitude with respect to investment in financial instruments. Thus Bonferroni Test will help to identify those groups which have led to the significant difference. Therefore Table (12) has classified the risk taking attitude of respondents across different educational level. It has been found that there is significant difference in risk taking abilities of Undergraduates and Post Graduates ($Sig = 0.04 < 0.05$). Similarly is the case with Graduates and Post Graduates since there significance level is 0.005 which is quite less than 0.05. This indicates academic qualification of respondents have significant impact on risk taking attitude of people.

Table 11 ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	10.862	2	5.431	6.571	.002
Within Groups	80.178	97	.827		
Total	91.040	99			

Table 12 Post Hoc Tests (Bonferroni Tests)

(I) Education	(J) Education	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Undergraduate	Graduate	-.17778	.31785	1.000	-.9521	.5966
	Post Graduate	-.80000*	.31785	.040	-1.5743	-.0257
Graduate	Undergraduate	.17778	.31785	1.000	-.5966	.9521
	Post Graduate	-.62222*	.19167	.005	-1.0892	-.1553
Post Graduate	Undergraduate	.80000*	.31785	.040	.0257	1.5743
	Graduate	.62222*	.19167	.005	.1553	1.0892

5. Conclusion

Results from the analysis have revealed that though most of females do have certain financial security in India, but they are still financially illiterate. Most of the females including those living in urban areas are not aware of different investment options with regards to various financial instruments. Most of females have invested their surplus funds either in banks or in insurance schemes. Very few have actually opted for stock markets or mutual funds for investing their funds. The major reason behind this is that females in India are highly ignorant about the recent financial innovations in the markets, which can highly increase their returns on investment. Moreover it has also been found that, females are highly risk averse and do not want to risk their hard earned money in those financial instruments that can give rich capital gains on their investment. The study also indicates that many females also lack the knowledge of using online services for making prompt bill payments or transferring the funds to another account. They are also provided with debit and credit cards, but hardly do they make any use of it. It has been found that females do not use the services of financial consultants in managing their investment portfolios. This indicates that women in spite of having better financial services, they do not use it optimally so as to save their time and money. Further analysis of the paper indicates that though there is improvement in financial status of female, but still in the Indian society, there are very few exceptions where women actually participate or have that kind of autonomy to take decisions with respect to monetary investments in the family. The increasing liberalisation in social status of women has definitely shown positive change in condition of women in India. Education has empowered women in a very significant manner. Though most of females do not take major financial decisions in their household, but working females especially in metro cities serve as an outstanding example for the working women residing in other parts of the country. Women in urban areas have financial freedom to take decisions not only with respect to their personal investments but also for the family as a whole. India is giving lot of emphasis on the basic education to a girl child; this has really improved the standard of living of women in India. But still, majority of females are highly negligent towards investment in other financial instruments. Thus, it is essentially required that the companies should

bring out various awareness programmes regarding different investment options so that it can increase capital formation in the country. They should be educated with regards to usage of innovative financial services that are availed exclusively for them. This will not only benefit the females as a whole but will increase domestic savings and investment in the country that will lead to overall economic growth and development in the country.

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