Financial Literacy Among Women in India: A Review

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Abstract

With the onset of several financial and economic reforms, the scope of entire market is getting wider. Several new financial products are being introduced in the market that is generating the need for individuals to plan and invest their finances tactfully. In other words, financial planning is becoming essential for financial well being of an individual. While on the one hand, the role of financial planning is largely acknowledged, on the other hand the significance of financial literacy is still lagging behind, especially for women. Moreover, the level of financial literacy among the Indian women has not been largely documented. Hence, the need arises to understand in detail the issue of financial literacy among women in India. This paper is an attempt in this direction. It has been observed that although it is imperative that women should be given equal power to take financial decisions as taken by men, yet many Indian women are facing several cultural, financial, psychological and physical barriers that are creating hindrances in becoming financially literate. The government is taking initiatives for making the people more financially literate, yet there persists a lot of gap in the financial literacy level of men and women. Hence, more women specific financial literacy programs should be introduced and new universities should be established to make the women more literate. This would not only make the women more independent and empowered but would facilitate the growth of the whole nation.

Keywords: Financial Planning, Financial literacy, Financial Inclusion.

Introduction

In the present scenario, the integrated global financial market as well as the changing financial objectives has increased the individual's responsibility in managing their own finances and securing their financial future. In an environment where the range and complexity of financial products are widening the scope of entire market, it is becoming crucial that individuals should develop a thorough understanding of the world of finance so as to make better choices that are most appropriate to their financial goals and needs (Kumar and Anees, 2013). Moreover, the economic growth and development of nation are highly influenced by the financial decisions taken by individuals. However, it is not an easy task to take financial decisions. Several factors, such as risk, returns, market scenario, regulatory framework etc., need to be analyzed while making financial planning.

In other words, financial literacy plays a crucial role in financial planning of an individual. The Financial Planning is defined as “the process of meeting one's life goals through the proper management of personal finances” (NISM). In other words, it is a process of taking necessary steps to ensure that an individual is equipped to accomplish his financial goals which he has set out to achieve and is prepared to deal with contingencies as well (Shobha and Shalini, 2015). As far as financial literacy is concerned, OECD/INFE defines it as “a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing”. Also, it is defined as “the process to inculcate the ability to understand personal financial wellbeing. It includes the awareness about financial products, market information, sources of getting financial knowledge and confidence of discussing financial issues, so that a person can plan for the future, make proper decisions to meet out the life events” (Purohit and Rohella).

However, everybody does not possess the same ability to plan their financial resources. Researchers across the world have reported the inadequate financial literacy level among the individuals which raises serious concerns about the ability of individuals to secure their financial well-being (Kumar and Anees, 2013). There are several factors that actually influence the financial literacy among the individuals and one such prominent factor is 'Gender'. More specifically, a relatively broad range of empirical literature documents the existence of gender differences in financial literacy in various countries and along several dimensions. It is generally observed that on an average, women perform worse than men in the tests of financial knowledge and have less confidence in their financial skills (OECD, 2013).

As far as India is concerned, there have been numerous debates about gender over the years. Mainly such debates are related to women's position in society, their education, health, economic position, gender equality etc. In other words, women in India have always held a certain paradoxical position. Although in the modern society, women have slowly start recognizing her true potential and are conquering in every field whether it is politics, sports, entertainment, literature, technology, yet there are certain areas where women are still lagging behind the men. One such area is “Personal financial Planning'. It has been observed that women have inherently been better money managers on a small scale as far as their household expenses and savings are concerned, yet many women, including working women, seem to be comfortable in leaving their long-term finances and retirement planning to their fathers or husbands. In other words, the efficiency they exhibit in managing home finances is not getting extended to their personal financial front (Shobha and Shalini, 2015). The major reason behind such issue is the lack of financial literacy among women. The survey by NCFE clearly exhibit that the financial literacy percentage among the women in India is quite low which needs special focus (Dwivedi et al., 2015).

Since women hold around 50% of the population of India, it would be unjust if only rest of the 50% will be taking the financial decisions. Moreover, there are several theoretical arguments that support that women should be financially literate to take rationale financial decisions. Such arguments are:

Longer Life Expectancy: The study by OECD (2013) clearly exhibit that on an average, looking across 121 countries representing a wide mix of developing and developed nations, women live five years longer than men. Hence, it is essential that women should develop an in-depth understanding about the concept of financial planning and investment avenues to protect her from the financial challenges she may face in the future. It has been observed, in US and cross-national research in developed countries that older single women continue to be disproportionately poor as compared with older single men and older married couples. Hence, lack of knowledge can be more costly for women because they tend to live longer (Wall Street Journal).

Economic Growth: The nation's overall development needs women investors as well which will enhance the liquidity in the market and will boost up the scope of trade in the economy. This can be made possible if women are financially literate.

Self Independent: It is essential for women to acquaint themselves with the finance world so as to be financially independent. This will lift up their status in the society as they will match up with the male section of the society as far as financial decisions are concerned.

Freedom from exploitation: Financial literacy will help in protecting society and individuals against exploitative financial schemes and exorbitant interest rate charged by moneylenders.

Family well being: It is believed that if there is a difference in the financial literacy level of men and women, it may affect the relative economic power within the household. Since men and women will allocate household resources according to different preferences this have implications for the well-being of the family. Research in many countries suggests that households do not act as a single unitary decision maker. Instead, it has been observed that household resources in women's hands has been observed to be more likely spent on improving family well-being, particularly that of children.

Although, it is imperative for women to acquire financial knowledge and to make financial planning still a lot of gap persists in India as far as financial literacy among women is concerned. The present study is an attempt to study the issues faced by the women in acquiring financial knowledge, interventions made by the government and measures for boosting up the financial literacy among women in India. The study expects to contribute to the literature by extending the understanding of the whole scenario of financial literacy among women in India.

Literature Review

A relatively broad range of empirical literature documents the existence of gender differences in financial literacy in various countries and along several dimensions. However, few studies have been conducted in India that examined this issue empirically. Dwivedi et al. (2015) analyzed the NCFE report on financial literacy and financial inclusion in India on the basis of occupation, geographical area and gender mix. The study found that urban population is more financially literate than rural population. Also, men are found to be more financially literate than women. Moreover, the study observed that women have higher financial attitude but less financial behavior and less financial knowledge, whereas men have slightly less financial attitude than women but scored more on financial behavior and financial knowledge.

In the same line, Shobha and Shalini (2015) conducted a survey on the perception of women towards the personal financial planning in the city of Bangaluru. The study revealed that Indian women gives priority to family and children's requirements more than her requirements for financial needs and individualistic financial security. Also, difficulty in convincing the spouse and family is also a challenge to the women to create their financial plans. The study also found that women still feel that gold, real estates, bank deposits, insurance products and provident funds are the most safe instruments for investing, while they feel that mutual funds, derivatives, chits, stocks and shares as riskier investments. Hence, lack of knowledge on new instruments influence their ability to earn returns for them.

Paramashivaiah et al. (2014) quantify the risk appetite score of 120 women grouped on various socio-demographic bases in Mysore city. The analysis through regression model suggests that there is a negative influence of age of women on their risk tolerance levels. Whereas, Prasad et al. (2014) examined the impact of certain emotions, such as greed, fear, love and disbelief, on the Indian woman's investment decisions. The study found that these emotions block the logic and rationality of investors, affect their prospects of generating wealth, cause financial distress, and further deteriorate their emotional stability.

Agrawal (1988) observed that the decision making power of women in India in economic field lies in the hands of their husbands irrespective of the wives' income, education and profession. Singh (2004) as well as Balasari (2004) support that working women are more aware of the type of investment instruments and take better investment decisions than non-working women. Moreover, it is found that working women spend less on themselves as compared to the non-working women.

Venkataraman (2004) compared the psychology of women investors with men and found that although women like to get the maximum returns but most of them make secret savings and use this secret money on gold, jewelry or apparels. Also they prefer to invest more in post office schemes. However, Agarwal (2010) observed that women do not possess the requisite skills to make successful investment and financial decisions which generates the need for financial literacy.

Mathivathani and Velumani (2014) conducted a study to know the level of financial literacy among women in rural areas of Tamilnadu. The study found that financial literacy of marginalized rural women is very low. Hence, the proper development of financial literacy would help the women for better financial decision making and proper utilization of financial services and products.

Agarwalla et al. (2013) investigated the influence of various socio-demographic factors on different dimensions of financial literacy among the working young in urban India. 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 specific to India, such as joint-family and consultative decision making process are found to significantly influence financial literacy. The study also investigated the relationship between the dimensions of financial literacy. Adding to the growing empirical understanding of financial literacy across countries, the study provides an analytical basis for enunciating policy for enhancing financial literacy of youth in India.

In nutshell, financial literacy level of women in India is quite low and need special attention. Hence, research efforts in this area are undeniably needed.

Need of the Study

Few studies have been conducted in India that focused on difference in the level of financial literacy of men and women. However, still there persists a huge gap in the literature as far as the factors influencing such differences and measures for improving them are concerned. In other words, studies have largely found a significant difference in financial literacy level of men and women, however what factors influence such differences have not been extensively explored. Moreover, the interventions by government and measures for boosting up the financial literacy level also need to be analyzed. Hence the need arises to explore the issue of financial literacy among women in India in more intensive manner. The present study is an attempt in this direction.

Objectives of the Study

Following objectives give the impetus to conduct the present study:

- To study the factors influencing the financial literacy among women in India.
- To study the financial literacy interventions by government in India.
- To explore the measures for enhancing the financial literacy among women in India.

Factors Influencing the Financial Literacy Among Women in India

The financial literacy among Indian women is highly influenced by several factors. The prominent factors are discussed as follows:

Lack of Independence: Although several theories support the equality between men and women yet women are deprived of the extent of independence which men enjoy. The basic problem is that women are not given the freedom to manage their finances independently. All major financial investment decisions are generally taken in consensus after considering the well-being of whole family. Hence, such financial decisions are not taken on their merit but are dictated by social responsibility. A woman can only spend a small part of her income on herself and in order to maintain harmony in the family women let go of their financial freedom.

Culture: Culture also comes in as a factor that acts as a hindrance in spreading financial education among women. Some cultures do not allow women to take part in financial matters of the family. It is a usual practice that men take control of financial matters whereas women are supposed to take care of domestic duties. This disrupts their confidence and restrains them in becoming financially literate.

Lack of women centric financial schemes: Most financial institutions have generic financial services and do not develop women specific financial schemes. Also, the high and stringent requirements to access the services restrict the women to take financial decisions and learn financial jargons. Products that only focus on business and does not focus on the woman household also act as a barrier in financial literacy among women.

Lack of accessibility: Mainly the financial institutions are located in far areas from where the women reside or do businesses, hence they find it expensive and time wasting to go to the financial institution. This problem is mainly faced by the women in rural areas (Mathivathani and Velumani, 2014).

Lack of information on existing financial services and requirements: Most of the women are unaware of the available financial services as many financial institutions advertise their services in mainstream media and billboards. Hence, the lack of awareness creates a hindrance in becoming financially aware. Lack of financial awareness and knowledge is contributing in a major way in their dependence on investment and financial planning on spouse/family, hampering their financial independence (Shobha and Shalini, 2015).

Less lucrative benefits: High interest rates charged on loans and high fees for maintaining and operating current accounts including low interest rates for deposits in savings accounts also discourage many women from seeking these services.

Lack of basic education: In India, the basic literacy level of women is quite low as compared to men. Most of the sections of society do not allow women to acquire higher education. The lack of basic education and lack of computer knowledge is another reason of low financial literacy level among Indian women (Mathivathani and Velumani, 2014).

Lack of financial resources: In India, there is a high proportion of non-working women. Since they are not working, the source of income is dependent upon their spouse of father. This also restricts them to take independent decisions on financial matters of family.

Financial Literacy Interventions By Government

Financial literacy is the main tool for promoting financial inclusion in the country. In order to boost up the financial literacy, the government of India has framed various schemes to encourage women to participate in the process of capital formation by encouraging them to take up savings and investments activities (Prasad et al., 2014). There are several schemes introduced by the government which directly or indirectly promotes the financial support and literacy among the female section of the society. Following are the key components of financial literacy programmes that are to be spread across country:

- Why Save?
- Why invest?
- Why insure?
- Why you will need regular stream of income post working life?
- Why save or invest regularly and consistently?
- Why insure fully?

- Why save with banks?
- Why borrow within limits?
- Why borrow from banks?
- What is the difference between saving and investment?
- Why borrow for income generating purposes?
- Why repay loans?
- Why repay loans in time?
- Why do you need insurance?
- What is interest? How money lenders charge very high interest rates?

Few initiatives taken by the government are highlighted as follows:

Financial Literacy and Credit Counselling Centres (FLCC): In order to spread the financial inclusion in the country, the government of India establishes FLCC to give free financial literacy/education in the country.

Beti Bachao, Beti padhao Yojana- This is a Government of India scheme that aims to generate awareness and improving the efficiency of welfare services meant for women.

Sukanya Samridhi Yojana (Girl Child Prosperity Scheme)- The scheme primarily ensures equitable share to a girl child in resources and savings of a family in which she is generally discriminated as against a male child. This would ensure the financial support to females which will encourage the financial literacy as well.

Pradhan Mantri Jan-Dhan Yojana- One of the biggest steps taken by government to enhance the financial inclusion in the country is the launch of PMJDY. It is a national mission on financial inclusion encompassing an integrated approach to bring about comprehensive financial inclusion of all the households in the country. Objective of "Pradhan Mantri Jan-Dhan Yojana (PMJDY)" is ensuring the access to various financial services like availability of basic savings bank account, access to need based credit, remittances facility, insurance and pension to the excluded sections i.e. weaker sections & low income groups. This deep penetration needs financial literacy among the people. Hence, special arrangements are being made by the government for spreading financial knowledge so that financial inclusion can be made possible.

Establishment of NCFE- The National Centre for Financial Education (NCFE), has been set up to implement National Strategy for Financial Education (NSFE), under the guidance of a Technical Group on Financial Inclusion and Financial Literacy of the Financial Stability and Development Council (FSDC), which would cater to all sections of the population in the country. It comprises of the representatives from all financial sector regulators i.e. Reserve Bank of India (RBI), Securities Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI), Pension Fund Regulatory and Development Authority (PFRDA) and National Institute of Securities Markets (NISM). The main role of NCFE is to create financial education materials and conduct financial education campaigns across the country for all sections of the population along with awareness campaigns at different levels for existing and potential customers so as to improve their knowledge, understanding, skills and competence.

Measures for Enhancing the Financial Literacy Among Women in India

Although several initiatives are taken by government for spreading financial education across the country, yet there are several issues faced by the women due to which they are unable to acquire financial education.

Hence following measures are suggested for enhancing financial literacy level among women in India:

Training- Training is one of the best measures that should be used to inculcate the habit of learning financial terms among the women. Women with low level of family income and low level of education benefit significantly from the training imparted (Agarwalla et al., 2013). Most of the women feel hesitant while dealing in financial matters because of lack of training. Hence, from time to time, training programs should be organized specifically for women so as to make them more capable while dealing with their finances.

Financial awareness and Education- Women require multifaceted financial skills that are knotted with their life, livelihood and businesses this include skills in budgeting, savings, understanding financial services, debt management, financial negotiation skills and investments. Hence, they must be taught the financial terms through financial awareness programs and courses. Financial education programs should focus particularly on important life-planning aspects, such as, basic savings, debt, insurance and pensions (Das, 2007).

Establish nearby Institution- Distance is another challenge faced by women as many financial institutions are located far away from where the women live. To deal with this challenge, banks, post offices, insurance companies etc. must open their branches nearby the residential accommodation. This also presents additional income opportunities for women who are recruited as bank agents.

Better Technology- Information and communications technology (ICTs) is an effective tool to increase women's financial literacy. Mobile technologies have become increasingly available to the poor and can improve access to financial information and training. Using media outlets such as television, magazines, and internet can be helpful in disseminating financial literacy training in the country.

E-learning- E-learning can be another powerful educational tool for training, knowledge sharing, and international best practices.

Cultural change- The major problem being faced by Indian women is the male dominating society. “A lot of women don't have reliable ways to learn about money...They just do what their families do” — Focus group participant, Literacy DuPage. In India, women are supposed to be the home maker only and are not given independence to be the part of financial matters. Hence, cultural change is needed to ensure wider financial literacy among women.

More benefits to women- Women would feel allured to indulge in financial activities if they will be offered financial services with more lucrative benefits such as low rate of interest on loans, high rate of interest on deposits, tax benefits etc. Many institutions, such as banks, are providing such kind of benefits but they are not sufficient to attract more and more women investors. Women need to have the opportunity to seek out and use financial information if they are to improve their financial literacy (Mathivathani and Velumani, 2014). Hence, efforts must be made by the government to provide more benefits to women and open more opportunities which would encourage them to be more financially literate.

Establish more women oriented Universities- The financial literacy among the women can be spread with the establishment of more universities. There are very few universities in India that are spreading financial awareness among the women such as Banasthali Vidyapith, but more such institutes are needed.

Conclusion

In the present scenario, the Government of India is putting lot of efforts for ensuring financial inclusion in the country. Financial inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by mainstream institutional players. Financial inclusion is the road that India needs to travel for becoming a global player. It is highly needed for ensuring the growth and development of the country. However, this goal can be made possible through financial literacy. Financial literacy means spreading the financial education among the people across the country. While the need for financial literacy may be largely acknowledged, the importance of gender dimension remains a subject for debate. Voluminous studies have documented the existence of gender differences in the financial literacy across the world but the studies on financial literacy among the women in India are quite scarce. This paper analyzes the issue of financial literacy among women in India. It has been observed that there are several problems faced by Indian women due to which they lack in financial literacy such as cultural barriers, physical barriers, psychological, and financial barriers etc. However over a period of time women are realizing the importance of savings and investments in improving their individual economic status as well as their family a whole. Hence more financial literacy programs and institutions should be established in order to create more awareness on financial terms to women. This will make women the part of financial inclusion and will facilitate the growth of nation as a whole.

It is truly said that-

“It is impossible to think about the welfare of the world unless the condition of women is improved. It is impossible for a bird to fly on only one wing.” **—Swami Vivekananda**

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