

FINANCIAL LITERACY OF WOMEN IN KERALA: A CASE STUDY OF KOTTAYAM MUNICIPALITY

Reshma Susan Jacob¹, Sreelekshmi P²

¹Lecturer, Department of Corporate Economics, Saintgits College of Applied Sciences, Pathamuttom, Kerala, India

²Department of Corporate Economics, Saintgits College of Applied Sciences, Pathamuttom, Kerala, India

Abstract - This paper analyses the financial literacy of women in Kottayam and the extent of financial literacy across various socio-economic characteristics. The financial literacy is measured using three attributes which are financial behavior, financial attitude and financial knowledge. Though literacy of women is high in Kerala, they lack financial awareness necessary for making sound financial decisions. The present study is thus an attempt to identify the levels of financial wellbeing which includes personal money management, investment decisions and monetary planning for future etc. The responses are collected using primary data from a sample size of 120 married women in Kottayam. The study also attempts to analyze the barriers to financial literacy and various measures to improve them. Making women financially literate is necessary not only to make them smart in money management but also for maintaining a healthy financial discipline.

Key Words: Financial literacy, financial attitude, financial behaviour, financial products, mutual fund.

1. INTRODUCTION

Financial literacy according to OECD (Organisation for Economic Co-operation and Development) is "a combination of financial awareness, knowledge, skills, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial well-being." In other words, it is knowing how people spend and save the earned money wisely and their skills in money management. The financial literacy mainly includes three attributes like financial behavior, financial attitude and financial knowledge. Financial behavior is the capability to capture the overall impact of financial decisions on one's (i.e. person, family, community, country) circumstances and to make the right decisions for budget planning. Financial attitude is the individual characteristics that take the form of tendencies towards a financial practice or action. Financial knowledge is the awareness on the financial concepts and procedures to solve financial problems. For making successful use of financial services, people need to be literate enough to understand the basics of good financial practices.

As per the global survey by The Standard & Poor's Financial Services LLC (S&P) financial literacy in India is consistently poor when compared to the rest of the world. So there is a need to reach out to lower income groups and economically weaker sections and also to people with limited awareness. Financial Inclusion and Education has already been the two

important elements in the Reserve Bank of India's developmental role. Kerala, the top-ranking state in literacy is having a top position in the financial inclusion graph of India. OECD and other studies show that women have lower financial literacy levels than men in both developed and developing countries. Challenges to women's full financial inclusion are linked to their lower economic and financial opportunities.

The present study is an attempt to estimate the financial literacy among women in Kottayam, Kerala. Kottayam is always in the forefront in literacy and education and is the first town in India to attain 100% adult literacy as on June, 1989. Thus it is obvious to check the financial literacy status of women in Kottayam. Mostly in developing countries, women are often neglected in making financial decisions. They need to be empowered in this regard and this is possible with appropriate financial education targeted at the right people at the right time. Our study will help policy makers and regulators to devise appropriate strategies to increase the level of financial literacy among women.

2. REVIEW OF LITERATURE

Lusardi and Mitchell (2011) conducted a study titled "The financial literacy around the world: An overview" which highlights the importance of financial literacy in an increasingly risky and globalised marketplace in which people must be able to make well-informed financial decisions. New international research all around the world illustrates the financial illiteracy is widespread when financial markets are well developed and changing fast. The study concluded that financial literacy should not be taken for granted even in those countries with well-developed financial markets.

Coealbe (2016) studied "The financial literacy of professional women in district of Kochi, Kerala" and evaluated the level of financial literacy of working women. The purpose of this research was to study if women lacked the financial knowledge and confidence with respect to personal finance management and investment, which is hindering their activity to achieve financial goals. Primary and secondary data were used for study. Only 32% of the respondents answered financial concepts correctly and concluded that they need to take professional help in setting financial goals.

Akshita Arora (2016) conducted a study on "Assessment of Financial Literacy among working Indian women" to assess the financial literacy level of women. Three parameters i.e. financial knowledge, financial behavior and financial attitude were used to assess the level of financial literacy and found that the general awareness about financial planning tools and techniques among women remains poor. The study concluded that women lack financial knowledge but are comparatively better in terms of financial attitude and behavior.

Abdul L.K and Sunitha (2016) in their study on "The Perception-reality gap in financial literacy: Evidence from the most literate state in India" measured the level of financial literacy and studied their impact of demographic and socio-economic attributes on financial literacy among the educated young adults in Kerala. They found that the respondents overrated the financial literacy around 50%. The study concludes that 89% respondents need financial education and at the same time called out for initiative to improve financial literacy among young adults in Kerala.

Nirmala Chandra Roy and Debasish Biswas, (2016) in their work entitled "Women Empowerment through SHGs and financial inclusion: A case study on Lataguri Region in West Bengal" has observed that there is a huge impact of SHGs on financial inclusion and empowerment of rural women. They found that the scenario has changed drastically after women joining the SHGs. women opened saving accounts, took sufficient amount of loans for buying Sal leaf sewing machine and puffing machine and started using ATM after joining to the SHGs and that too spending sufficient amount of time in their family affairs.

Dube et al. (2017) in their paper titled "A comparative study on financial literacy of Uttar Pradesh with central zone States in India" analyzed financial literacy in UP and made a comparative study with other states. The paper provides an overview of the important constituents of financial literacy and role of financial literacy in India context. Their objectives were to gain knowledge on financial policies, financial products and services. They used secondary data from NCFS, RBI, NISM etc., for the research. They found that there is low level of financial literacy among the different segments of population in India.

Dr. Ganjendra Naidu (2017) studied the level of financial literacy in India by using literature based analysis. The study is qualitative and literature based exploration. Data was composed from secondary sources which comprise research articles, websites, newspaper articles, reports and Journal articles. Although many initiatives from RBI and government on financial literacy improvement have been made, financial literacy level is still low. It is necessary to mend level of literacy through new initiatives.

3. RESEARCH METHODOLOGY

3.1 OBJECTIVES OF THE STUDY

1. To analyze the extent of financial literacy of women in Kottayam via their socio-economic characteristics.
2. To analyze the barriers of financial literacy.
3. To study the measures taken to improve the financial literacy.
4. To provide suggestions based on the study.

3.2 RESEARCH DESIGN

The study is conducted among married women in Kottayam town. The study has used both primary and secondary data. Primary data from a total of 120 respondents has been collected by using a structured questionnaire. The questionnaire incorporated all necessary information by using attitudinal rating questions as well as knowledge testing questions. A convenient sampling technique has been adopted for this study. All married women both working and non-working were considered as the population for this study. We excluded unmarried women because they are mostly dependent on their parents for decisions in financial management.

4 .DATA ANALYSIS AND INTERPRETATION

We have found in our study that 35 percent of the respondents belonged to the age group of 41 - 50, 23 percent of them in the age group of 20 - 30 and the remaining in the age group of 30-40. Most of the respondents were graduates and post graduates 42 percent and 40 percent respectively and only an 18 percent were below the graduation level. 59 percent of the population belonged to the working group category whereas 41percent were non-working population. Among the type of family adopted, 72 percent of the respondents followed nuclear family type. 33 percent of our sample size received monthly income more than Rs. 35000 and 32percent received an income between 20000 to 35000. We found that in 72 percent households the respondent and their partner together take decisions with respect to financial matters. 42percent of our sample follow a regular budget, 25percent at times and the rest doesn't bother at all. Only 33percent keep records of their expenditure, 60 percent do not but are aware of their transactions in general but 7percent neither have a record nor do they have an idea of their transactions. 73 percent owns a debit or credit card in which the usage also seems to be strong among respondents. The majority have a habit of paying bills on time. 60 percent use internet banking for shopping purposes, 42 percent use for paying electricity bill and 38 percent for telephone bill. Only 10 percent revealed that their expenditure exceeded their monthly income.

In managing debts, we found 45percent of respondents use their savings to pay off debts and 22percent borrow from family or friends. 35percent refused to give an answer regarding their frequency of borrowing. Only a 30 percent are ready to take risk for high returns. Women followed savings habit where majority had bank deposits. Only 33percent respondents are fully satisfied with their current financial position, 57percent are partially satisfied and the rest not at all satisfied. 65percent are interested in setting long term financial goals and achieving them.

83percent of the sample is of the view that women should invest in financial products. To them the highest factor hindering women from investing in financial products is lack of confidence about return followed by the prevalence of risk. Their key sources of information influencing financial decisions came from family and friends (58%) and internet (22%). Only 17 percent of the respondents rated their financial knowledge to be high. Majority are highly concerned with changes in gold price (50%) rather than changes in interest rate, property market and inflation rate. Only a small percent has knowledge on Government initiatives like Pradhan Mantri Jana Dhan Yojna, Atal Pension Yojana etc.

5. FINDINGS

The important finding of our study is that financial literacy with respect to financial attitude and financial behavior is high among women but with respect to financial knowledge is very low.

The socio - economic variables we have taken in our study included age, education, occupation, family type and monthly income. With respect to age we have found that women of age group above 40 have more financial literacy considering all the 3 attributes when compared to the women of other age groups. This is because as age increases, women are found to be efficient in making financial decisions in terms of monthly budget, financial goals etc. when compared to women at a younger age. Regarding education, financial knowledge is noted high among graduates than post graduates. So we have found a negative correlation between financial knowledge and education. But at the same time their financial attitude and behavior showed similar weighs. Among occupation level the change is not significant. Women with income level below ₹15,000 have a good financial attitude in terms of managing money. They are thus found to be poor in keeping a close watch on their financial affairs. But it is good to find that with increasing income, women tend to invest more on financial products.

In assessing Financial behavior, the study concluded that the majority of women have an upper hand in making financial decisions in their household along with their spouse. Only 42 percent followed a regular budget. Although only 33% keep note of income and expenditure, the majority of them know in general about their financial transactions. 73percent of the respondents owned debit/credit card and their use varies between 2-3 times a week, once every 2 weeks and more

than once every 2 weeks. Majority (88%) of the women pay bills on time and they use internet banking mostly for shopping purposes followed by telephone bills' and electricity bills' payment. Based on the inference obtained from the above attributes, we found that the majority of the respondents have a strong financial behavior.

With respect to Financial attitude it is surprising to find that only 30% of the women are prepared to take risks to get high returns. Women mostly save money in the form of bank deposits. Only 33% are fully satisfied with their current financial position while other respondents are either partially satisfied or not at all satisfied. Majority (65%) of the respondents aim at setting long term financial goals and try to achieve it. Again based on the inference from the above attributes, we found that the majority of our sample have good financial attitude.

In assessing financial knowledge, we found that the most known financial product among women is pension fund but the most common investment is saving account. 58percent of the respondents are influenced by advice of family members regarding their decision to invest in financial products rather than internet, media and other sources. Most of the respondent's rate only an average level of financial knowledge for themselves. 46 percent of the respondents don't know about whether buying mutual fund or a single company stock provides a safer return. Majority of the women are interested to watch only changes in gold prices and interest rate whereas they are least interested in knowing about changes taking place in property market, inflation rate, level of public pension and indices in capital market. It is found from our study that among the government initiatives to increase financial literacy, women are aware only about Pradhan Mantri Jan DhanYojana, Pradhan Mantri Mudra Yojana and Pradhan Mantri Suraksha BimaYojana. Other schemes do not have a wider reach among them. Majority of women failed to find out the correct answer for question involving simple interest and change in real income. Majority of the respondents preferred mass media for creating and improving their awareness in financial literacy. It is found that financial knowledge among women is low when compared to financial attitude and behavior. Our findings from the opinion of our respondents also show that the highest factor hindering women from investing in financial products is their lack of confidence about return and the presence of high risk in financial market rather than lack of support from family, low savings and low awareness on financial products.

6. CONCLUSION

Financial well -being for a woman is vital in order to achieve an integrated and harmonious life because it affects their mental, physical, spiritual and socio economic well-being. Financial Literacy creates demand for financial products & services, thereby accelerating the pace of financial inclusion. It enables women to understand the needs and benefits of the products and services offered by the banks and help

them invest in the most profitable market investments. Financial literacy programs should focus on providing financial education to create awareness on economic variables like inflation, real income, calculation of interest rate etc. Collective efforts should also come from Government, banks, and education institutions to create a sound financial attitude and behavior among women at grass root level. This will also contribute to increasing life expectancy of women and making them employable at competent financial areas thereby improving overall physical and emotional well-being. Women must be given awareness on the importance of following a regular budget in their household and support should come from within their family to go for various financial investments. Women should make a close watch on their financial affairs when their income increases and must be aware of interest related and inflation rate changes. Including financial literacy in school curriculum will help women even at a younger age to know and handle financial matters well and improve their knowledge leading to developing a strong financial attitude and behavior. More women specific financial literacy programs should be introduced and women should be encouraged to gain skills in financial matters. Making women financially literate will make them not only empowered but will also facilitate achieving financial inclusion that leads to the development of the whole Nation.

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