

Women and Financial Literacy: An Empirical Study from Haryana

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ABSTRACT

Financial literacy is the ability to understand financial concepts and applying it confidently for making informed financial decisions leading to financial well being of the individual. Lower level of financial literacy among the households has become a matter of deep concern around the world. The outcomes of lack of financial literacy like low levels of savings, no credit management and lack of financial planning are evident from the existing surveys. Evidences suggest that women are less financially literate than men. Generally, they possess less financial knowledge and are less confident while dealing with financial matters. Their behaviour towards financial matters is also not supportive to their financial prosperity. Resultantly, there is severe need to strengthen special financial education initiatives centered on promoting financial literacy among women. The present study aims at determining the level of women's financial literacy in Haryana.

Keywords: Financial Attitude, Financial Behaviour, Financial Knowledge, Financial Literacy, Financial Stability, Savings.

Introduction

Financial literacy is considered as a complement to financial inclusion and financial consumer protection in the recent years. The knowledge and understanding of financial concepts has become essential for individuals to take informed decisions in the complex financial market. People enter in financial transactions regarding spending, savings, borrowings, budgeting on a daily basis. In addition, there is greater access to a range of credit, financial and banking products to a large population. The defined pension scheme is shifted to contributory pension plans making the people more responsible to decide about their own financial future. Moreover, the cost of financial ignorance is huge that may create financial unrest for households and pose a threat to the financial stability of the country if considerable degree of consumer participation is there. In such circumstances, it becomes essential for the individuals to be well versed with financial concepts and be sufficiently financially literate in order to take responsible financial decisions.

“Financial literacy is a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being.” (Atkinson and Messy, 2012)

The existing research literature highlighted low level of financial literacy among women across nations. The long term implications of uninformed financial decisions and lower financial literacy of women have prompted the government to take initiatives to improve the financial knowledge, awareness, skills, attitude of the women around the world.

Review of existing literature

Financial empowerment is essential for women empowerment. ‘Lower levels of financial literacy have the potential to reduce women’s active participation within the economy; economic power within the household; transmission of knowledge to the next generation and to worsen existing social disparities’ (Hung, Yoong and Brown 2012).

Generally, women have greater longevity than men and have lower average earnings. Moreover, in male dominated societies, male members of the family take all the important financial and investment decisions. Women are primarily engaged in fulfilling the domestic and caring responsibilities of their children as well as aged parents. They generally have fewer financial resources and asset holding than men. Their financial life is more challenging and more vulnerable on the happening of certain life events like dissolution of a marriage or death of their husband (Lusardi and Jakoboski, 2014). Women need to be more financially knowledgeable to take informed financial decisions for their financial well being.

There are ample evidences that highlight the positive effects of financial literacy on financial prosperity of individuals. Financially literate people make informed decisions that resulted in higher savings and wealth accumulation. Women displaying high financial literacy tend to be successful retirement planners (Lusardi and Mitchell, 2008). But low financially literate women generally involved in uninformed financial decisions and engaged in risky financial behavior (Schmitz and Bova, 2013). They are more likely to be enter in high cost credit card transactions (Mottola, 2012).

Empirical evidence suggests that in general, women show low level of financial literacy (Lusardi and Tufano, 2009;Lusardi and Mitchell, 2011). It holds true for developed as well as developing countries. An Organisation for Economic Cooperation and Development (OECD) international financial literacy study conducted in 14 countries highlighted less financial knowledge among women (Atkinson and Messy 2012). The similar findings were reported for college students in Ghana by Ansong and Gyensare (2012). Results fromworking women’s Financial Capability report carried out by Lusardi and Yakoboski, (2014) on Americanworking women showed low scores on knowledge of financial concepts. Chen and Volpe (2002) found women to be less knowledgeable about personal finance topics in US. In addition, lower confidence and enthusiasm was displayed by women in personalfinance issues. Research also demonstrated lower levels of investment knowledge and skills among women (Chen, Volpe and Pavlicko).Investment decisions seemed to be very difficult and stressful to women than men (Tahira Hira 2006).The OECD/INFE survey evidencesfound women to be more risk averse relative to men and less likely to invest in riskier assets (the Russian Trust fund 2013).

A study in India conducted by Agarwalla, Barua, Jacob and Varma (2012) revealed higher financial knowledge among men relative to womenbut better financial attitude was displayed by women than men. Overall no significant difference was found in the financial literacy of people on the basis of gender. The results of the research study conducted by Priya Kansal and Seema Singh were not consistent with the previous studies and stated that there is no significant difference in the financial behaviour and financial decision making of male and female households.

Objectives of the study

The present study attempts to explore the financial literacy level of women in Haryana. It also analyses the effect of various demographic factors such as marriage, age, income and education on financial literacy of women.

Research Methodology

Questionnaire Design

The study adopts a structured questionnaire developed by OECD International Network on Financial Education (INFE) to capture the financial literacy level of the respondents. Formal approval has been taken from OECD for the use of the questionnaire.

The questionnaire covers the three most important components of financial literacy-financial knowledge, financial behaviour and financial attitude. Socio demographic information about the respondents including income, marital status, work situation and education of the respondents is also covered in the questionnaire.

Sampling and Data Collection

The research has been conducted to assess the level of financial literacy of women of Haryana. A sample of 200 female respondents from the state of Haryana is used in the study.

Analytical Tools

In the study, Bar diagrams are used to exhibit the financial literacy level of the respondents. Dummy variable regression analysis is employed to get a deeper insight of the relationship between financial literacy and various socio demographic factors of the respondents.

$$FL = \alpha + MS\beta_3 + WS\beta_4 + ED\beta_6 + INC\beta_7$$

Where

FL= Financial literacy score of respondent

MS=Marital Status of respondent/ 0 if participant is married, 1 otherwise

WS= Work Situation of respondent/ 0 if participant is in paid employment, 1 otherwise

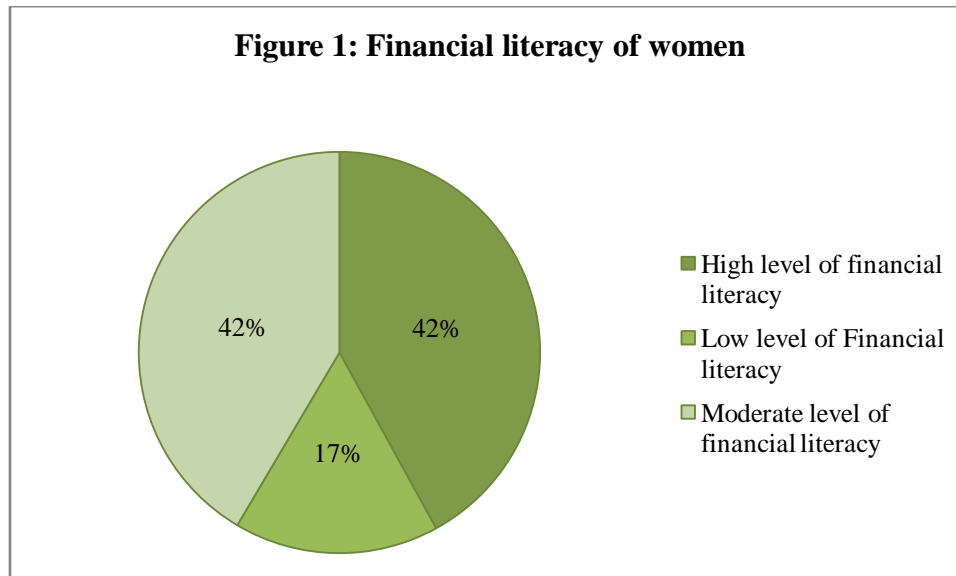
ED= Education of respondent/0 if participant possess a degree of graduation and above, 1 otherwise

INC= Income of respondent/0 if participant's household earning is more than 20000 p.m., 1 otherwise

Results and Discussions

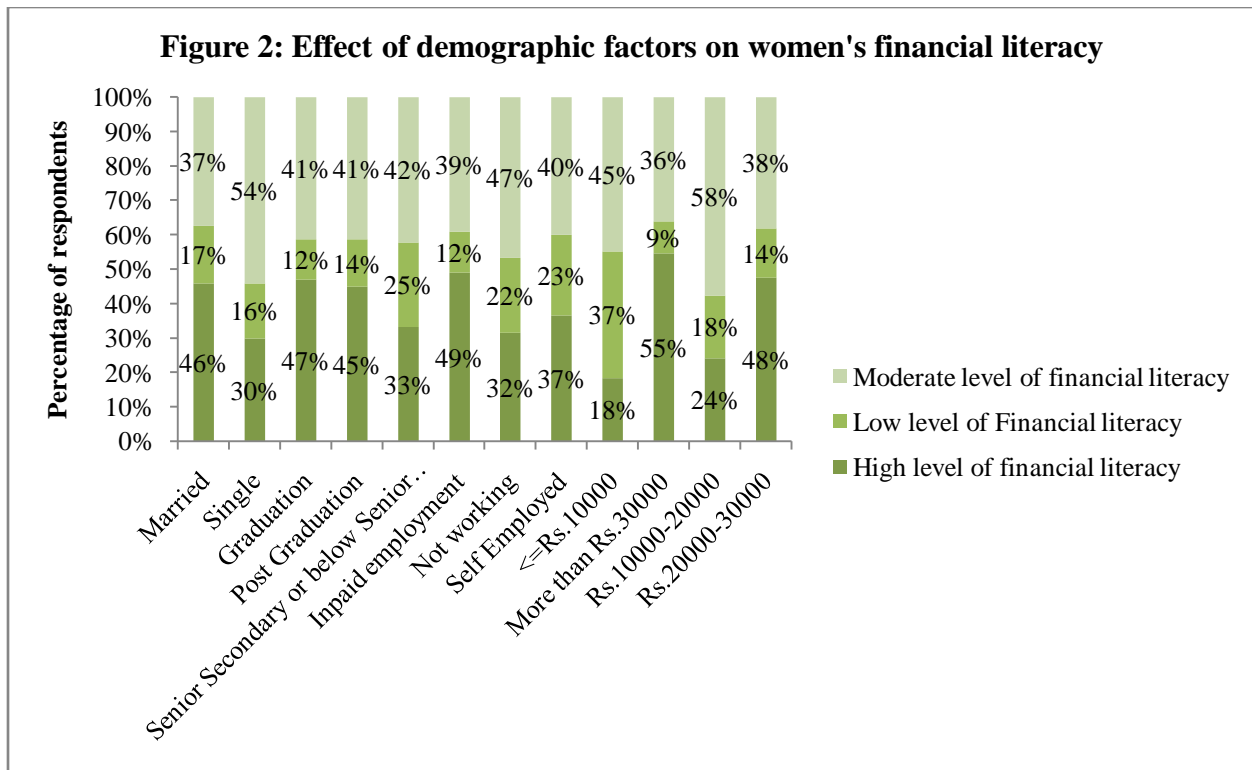
Financial literacy of the respondents is judged on the basis of three components-financial knowledge, financial behavior and financial attitude. Overall literacy score is obtained by combining the scores of all the three components of financial literacy. The maximum score that can be scored by a respondent is 22 (11 for financial knowledge, 5 for financial attitude and 6 for financial behaviour). On the basis of financial literacy score of the respondents, the respondents are categorized into three classes: high financial literacy class if the score of the respondent is 80 percent or above, moderate financial literacy

class if he gets 60-80 percent score and low financial literacy class if the financial literacy score is less than 60 percent.



The scores of financial literacy score of women are presented in Figure 1. The results show that 42 percent of the female respondents perform well on the aspects of financial literacy and possess a high level of financial literacy. The S&P survey (2014) of financial literacy around the world reported that in advanced economies, 55 percent of adults are financially literate and the score is 24 percent for Indian adults (Klapper, Lusardi and Oudheusden, 2014). This highlights that the financial literacy of women of Haryana is quite satisfactory. But more efforts are required to meet the global average.

The average financial literacy score of women in the sample is 16.28 which are higher than the average score of respondent's i.e.13.7 as observed in the OECD survey across 13 countries (Atkinson and Messy, 2012).



Furthermore, the empirical evidences as shown in Figure 2 indicate the effect of various demographic variables including marital status, education, occupation and income on the financial literacy level of female respondents of Haryana. Significant variations are demonstrated in the financial literacy level of the respondents on the basis of these factors.

The results document that financial literacy is higher among married than the singles as is also revealed in working women financial capability report conducted by Lusardi and Jakoboski (2014). The respondents who are in paid employment outperform those who are not working or self employed. Respondents with higher educational degree i.e. graduation or post graduation perform well on financial matters and consequently get high financial literacy score than the respondents who are less educated. The findings also report that financial literacy of high income respondents is better than respondents having low income. Thus, the results of the study are in line with the earlier findings that income, education, marital status and employment status are significant determinants of financial literacy of the respondents.

Multivariate Regression Analysis

While conducting the multivariate analysis, respondents are bifurcated into graduation & above and below graduation categories on the basis of education. Similarly, two categories regarding income level

of respondents are formed: respondents having income less than or equal to Rs. 20000 p.m. and those who have a monthly income of more than Rs. 20000 p.m. Further, respondents are segregated into respondents in paid employment and others on the basis of their occupation.

Table1: Factors influencing women’s financial literacy

	Coefficients	Standard Error	t Stat	P-value
Intercept	17.74027	0.336875	52.66123	3E-117
MARITAL STATUS	-0.30624	0.5426	-0.56439	0.573139
EDUCATION	-0.18043	0.614123	-0.29381	0.769217
OCCUPATION	-1.09071	0.498536	-2.18782	0.029871
INCOME	-2.37033	0.525886	-4.50731	0.000011

Table 1 shows regression results of factors influencing respondent’s financial literacy. Occupation and income emerge as the significant factors affecting the financial literacy of the people.

The results report that financial literacy scores of the respondents who are in paid employment is higher by about 1.09 as compared to average financial literacy score of the respondents who are self employed or not working, holding all other variables constant. The results also show that the respondents with higher income seems to be highly financially literate than the respondents whose household income is less than 20000 per month, *ceteris paribus*.

Furthermore, the regression results depict that education and marital status remain insignificant in influencing the financial literacy of the respondents.

CONCLUSIONS

The above discussion shows that more than forty percent of the women respondents of Haryana demonstrate a high level of financial literacy. The findings depict better performance of women by getting better scores on the three dimensions of financial literacy, i.e. financial knowledge, financial attitude and financial behavior. Still a large proportion of women are lacking in financial skills and knowledge and are susceptible to higher risk of irresponsible financial decision making. Greater initiatives are required for improving the knowledge, skills, attitude and behaviour of women with tailored strategies for vulnerable sub groups of population, for example, for women who are not working, belonging to low income group or are less educated.

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