



The Status of Financial Literacy and Financial Planning Among Women in India

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ABSTRACT

Women make up roughly half of the world's population, but their contribution to investment is paltry. Women's enormous potential to help the economy grow through investment remains untapped. Financial literacy entails disseminating financial education throughout the country. The need for financial literacy may be widely acknowledged, but there is still disagreement over the significance of gender. This research paper makes an attempt to analyse data from various studies and Secondary data collection. The purpose of this paper is to understand the status of women's financial literacy and comprehend the relationship and impact of financial literacy on financial planning among women in a developing country such as India.

KEY WORDS

Financial Literacy, Financial Planning, Women.

INTRODUCTION

One of our country's most pressing challenges is empowering women, which can be accomplished by educating and financially empowering them. A set of knowledge and abilities that enable a person to make wise financial decisions is known as financial literacy. Financial literacy is defined as the ability to use skills and knowledge to effectively manage one's financial resources for long-term financial security. A set of global economic and social trends suggests that people need to be equipped with the skills and confidence to make sound financial decisions from

a young age. As a result of these trends, individuals must make more complex financial decisions and take on more responsibility for their personal finances.

Financial inclusion is also facilitated by financial literacy. India has an alarmingly low financial literacy rate of 24% (NCFE, 2011) compared to the 28% of BRICS nations and 52% of European countries, despite having a literacy rate of 74.04% (as of 2011) and a youth population of approximately 64% (as of 2017) Sudan (2019). The level of financial literacy in various nations has a significant impact on how decisions are made, and research has shown that financial illiteracy is widespread in various developed countries and even worse in developing countries.

In India, women's access to financial services has grown significantly faster in recent years. The growing liberalisation of women's social status has resulted in a positive change in the condition of women in India. Women are good at saving, budgeting, and managing household expenses, but when it comes to making large financial decisions, they back down and rely on their male counterparts, trusting them to be financial experts. Numerous factors, including people of different ages, educational levels, and other socioeconomic characteristics, could contribute to the gender gap. (Fisk, 2015) When women make intra-household financial decisions, savings and investments are often higher and debt repayment is more likely. (Ashraf, 2009)

For decades, the wealth management industry in developing countries such as India and China has largely focused on one gender of the individual: male, most likely in their thirties to sixties, with traditional family needs. The notion that a man would manage the household finances while his wife would handle domestic liabilities has changed. Today, many women contribute equally to a family's earnings. They are paid more than their male spouses in some families and professions. Women were found to be less self-assured than men in the workplace, where confidence is just as important as competence. Women were found to be less confident than men when it came to answering various questions pertaining to financial knowledge specific to understanding concepts such as risk and return, simple division tasks, and so on.

Literature Review

Ashraf (2009) Women, on average, have less knowledge of financial instruments and practices. In the matrilineal cultural environment, there are no differences in financial knowledge between men and women. Women raised and living in matriarchal societies have higher levels of financial literacy than those raised and living in patriarchal societies.

Sharma & Joshi (2015) The inability to make sound financial decisions is the root cause of a lack of adequate financial knowledge, i.e., financial literacy. Only a small proportion of the world's female population is capable of making such decisions regarding household finances.

Sudan (2019) As new and complex financial products and services are constantly developed, financial literacy is becoming more and more crucial in India. Individuals who lack financial literacy and face information asymmetry are more likely to make bad or inefficient financial decisions. Individually deceptive financial decisions eventually snowball and have a ripple effect on the whole financial system.

Driva et.al. (2016) When we look at developing countries like India, we see that a large portion of women is housewives who rely on spousal income and thus are not exposed to the need for financial literacy. Lack of literacy has implications for planning, regardless of gender. A large and growing economics literature provides evidence from several countries that how decision-making power is distributed between men and women has a significant impact on household savings and investment.

Lusardi & Mitchell (2008) Financial literacy has a persistent gender gap that is independent of socioeconomic background, and cultural and institutional context. Aside from developed nations such as the United States and Germany, developing nations such as India face a wider gender gap problem when it comes to making important financial decisions in household matters.

Anthes & Most (2000) Women were more affected by a lack of financial literacy than men, and this appears to be true today as well. According to research, women are more concerned about their future but are less educated about how to secure it, and they face more financial challenges than men when making financial decisions.

Moon et.al. (2014) When it comes to investments, men generally have the upper hand. Women are more conservative in their investment decisions because they have less understanding of the financial marketplace. The studies also supported the idea that investment decisions are made collectively and are based on data and knowledge gathered from a variety of sources.

Research Methodology

This research is qualitative research and descriptive in nature. Secondary data sources used for the study are collected through various sources including quality research papers in the same field, newspaper articles, government reports, books, magazines etc.

Objective

1. To understand the status of financial literacy among women in India and highlights the role of Government in it.
2. To find out the correlation between financial literacy and financial planning among women in India.

Hypothesis

1. H_0 : There is no correlation between financial literacy and financial planning among women in India.
2. H_1 : There is a significant correlation between financial literacy and financial planning among women in India.

What is financial literacy?

Components of Financial Literacy as Defined by the OECD and INFE (“Reserve Bank of India - Reports”, 2022)

Financial literacy comprises three main factors that are knowledge, attitude, and behaviour. Knowing how to make financial decisions, planning for both short- and long-term investment goals, and selecting the right financial products are just a few examples of it.

Financial knowledge entails an understanding of key financial concepts as well as the ability to assess benefits in real-world financial instances. To assess an individual’s financial knowledge, the concepts of simple interest, compound interest, time value of money, inflation, diversification, division, risk return, and interest paid on loan are tested.

Financial behaviour is the study of how people manage their money on a day-to-day basis, make financial plans, spend, save, and invest, rely on credit to cover expenses, and create safety nets for their future well-being.

Financial Attitude studies people’s attitudes toward saving, prioritising short-term desires over long-term security, risk tolerance, and other aspects of future well-being.

Government Interventions in Financial Literacy

The primary tool for promoting financial inclusion in the country is financial literacy. To increase financial literacy, the Indian Government has devised a number of schemes to motivate women to participate in the process of capital formation by encouraging them to engage in savings and investment activities (Prasad et al., 2014).

The Government has implemented several schemes that directly or indirectly strengthen financial support and literacy among the female population. The following are some of the Government's initiatives:

Financial Literacy Centres (FLCs): The RBI's Financial Literacy Centres (FLCs) campaign aims to provide the public with banking and finance-related information and advice. Counsellors for the FLCs are experienced bankers. They offer free financial literacy/education, and credit counselling, and raise public awareness about their responsibility and rights in banking services.

Beti Bachao, Beti Padhao: Beti Bachao, Beti Padhao (Save the Daughter, Educate the Daughter) is a Government of India campaign. It primarily targets Uttar Pradesh, Haryana, Uttarakhand, Punjab, Bihar, and Delhi.

Sukanya Samridhi Yojana (SSY): Sukanya Samridhi Yojana (SSY) is a Government-sponsored small savings scheme for girls. It is a component of the Beti Bachao, Beti Padhao Yojana and can be accessed by the parents of a girl child under the age of ten. It is possible to open it at designated banks or post offices. An SSY Account is valid for 21 years or until the girl child reaches the age of 18. The main goal of the plan is to ensure that a girl child, who is typically treated unfairly in comparison to a boy child, receives an equitable share of the family's resources and savings. This would provide financial support to females while also encouraging financial literacy.

Pradhan Mantri Jan Dhan Yojana: Pradhan Mantri Jan Dhan Yojana establishes a platform for widespread access to banking services, including at least one basic banking account for each household, financial literacy, and access to credit, insurance, and pension benefits. It is applicable to both urban and rural areas, and individuals who open an account will receive an indigenous Debit Card (RuPay card). At zero balance, an account can be opened in any bank branch or Business Correspondent (Bank Mitra) outlet. Each bank account is linked to a bank's Core Banking System (CBS). Mobile banking via USSD, available on even the most basic feature phones, is also supported. A call centre and toll-free number are available throughout the country.

National Centre for Financial Education (NCFE): The Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI), the Insurance Regulatory and Development Authority of India (IRDAI), and the Pension Fund Regulatory and Development Authority (PFRDA) jointly promote the National Centre for Financial Education (NCFE).

The Company's goal is to promote financial education across India for all sections of the population in accordance with the Financial Stability and Development Council's National strategy for financial education, as well as to generate financial awareness and empowerment through financial education initiatives across the nation for any and all segments of the populace. Its Vision is "A financially aware and empowered India," and its Mission is "To launch a massive financial education campaign to help people manage their money more effectively in order to achieve financial well-being."

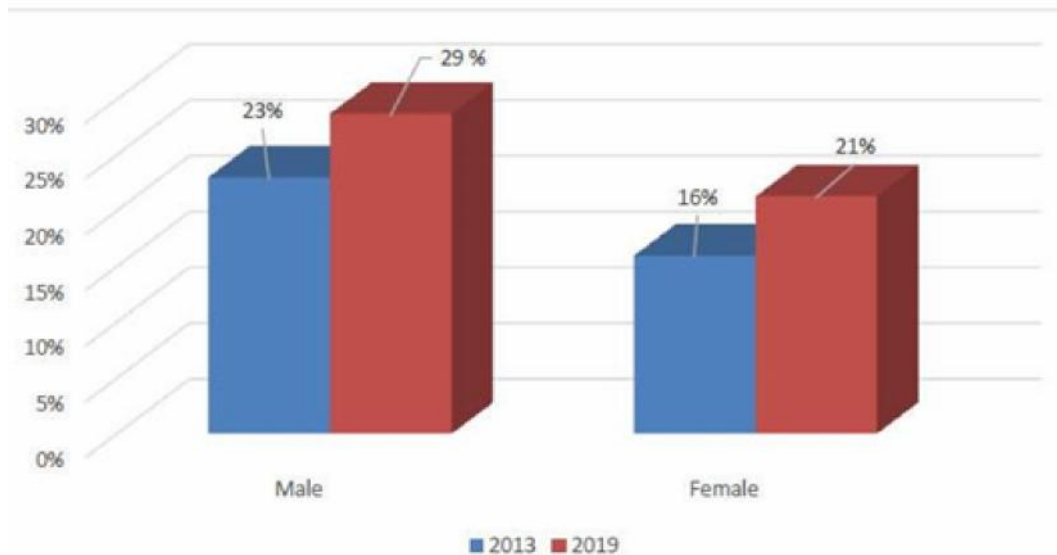
Women And Financial Literacy

Women make up 48% of our population, but in India, only a small proportion of exempt women have significant influence over the "how" and "where" of financial decisions in residents. This is due to the fact that often women in India generally prefer not to get engaged in financial decisions and

financial planning, which are handled by a male relative. Furthermore, academic institutions do not teach money management skills, so it is our responsibility to shape women's financial well-being.

In urban areas, women lag far behind men in terms of financial inclusion and literacy levels. A stronger effort must be made to help women become financially independent and aware in light of the shifting lifestyle dynamics. We would see a social shift if even 10% of our female population managed their finances. Financial literacy is the key to women's empowerment. Women's financial inclusion is critical to achieving gender equality in society. It lays the groundwork for women's empowerment.

Chart 1: Percentage of Population Crossing the Minimum Threshold Score Gender-wise



Source: Reserve Bank of India - Reports, 2022

Despite the fact that there has been progressing over time, more needs to be done to increase financial literacy among women, Rural India needs special attention, and the group with lower levels of education needs more financial education initiatives. ("Reserve Bank of India - Reports", 2022)

Measures to improve financial literacy among Indian women: Despite the Government's efforts to spread financial education throughout the country, women face a number of challenges that prevent them from obtaining financial education. As a result, the following measures are proposed to improve financial literacy among women in India:

Financial awareness programmes: Women need diverse financial skills that are intertwined with their lives, livelihoods, and businesses, such as financial planning, savings, budgeting, understanding financial products, debt management, financial negotiation skills, and investment opportunities. As a result, they must be taught financial terminology through financial awareness programmes and courses. Financial education programmes should emphasise key aspects of life planning, like basic savings, insurance, pension planning, debt etc.

Social evolution and cultural changes

The male-dominated society is the main issue that Indian women face. "Many women lack reliable resources for learning about money... They simply do what their families do." focus group participant Women in India are only expected to be homemakers and are not given the independence to participate in financial matters. As a result, cultural change is required to increase women's financial literacy.

Women-centric approach

Although the Government of India has taken various steps and launched various schemes in favour of women as we have seen above, there is a need to be more involved in the women-centric approach. Women would be more enticed to engage in financial activities if they were offered financial services with more enticing benefits such as low-interest rates on loans, high-interest rates on deposits, tax breaks, and so on. Many institutions, such as banks, offer such benefits, but they are insufficient to attract an increasing number of female investors. If women are to improve their financial literacy, they must be able to seek out and use financial information. As a result, the Government must make efforts to offer more benefits to women and open new opportunities for them to become more financially literate.

Financial Education

One thing needs to be realized financial education is as crucial as basic education although the literacy rate in India is high still financial literacy rate is very low and there is huge gender division in it. The financial education programme must be inculcated in the basic education system so that additional effort need not be put into this field.

Involvement in Financial Planning

“I hear and I forget. I see and I remember. I do and I understand”, from centuries it is a basic tendency in Indian families that saving and investment decisions will be taken by male counterparts, it is considered not a cake walk for women or misfit for women. It is the responsibility of each family to involve women in financial planning. Once they will get involved in financial planning from the beginning, they will have a better understanding of financial products and services and they will feel confident enough to plan for their finances.

CONCLUSION

Financial literacy entails disseminating financial education throughout the country. The need for financial literacy may be widely acknowledged, but there is still disagreement over the significance of gender. The study rejects the null hypothesis as there is a significant correlation between financial literacy and financial planning among women in India. Low financial literacy among women results in very minimal or no involvement of them in financial decision-making or financial planning of the family.

In urban areas, women lag far behind men in terms of financial inclusion and literacy levels. A stronger effort must be made to help women become financially independent and aware in light of the shifting lifestyle dynamics. We would see a societal shift if even 10% of our female populace managed their finances. Financial literacy is the key to women’s empowerment. Women’s financial inclusion is critical to achieving gender equality in society. It lays the groundwork for women’s empowerment. In a nutshell, women’s financial literacy in India is quite low and requires special focus. As a result, research efforts in this area are undeniably required. The study’s necessity few studies on the differences in financial literacy between men and women have been conducted in India.

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