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**AN ASSESSMENT OF FINANCIAL LITERACY AND  
DECISION MAKING POWER AMONG INDIAN  
WOMEN: A REVIEW**

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# An Assessment of Financial Literacy and Decision Making Power among Indian Women: A Review

Dr. Madhu Tyagi\*

Associate Professor, Department Of Sociology, BSA College, Mathura

**Abstract – The lower level of financial literacy is one of the greatest concerns for Indian women since independence. Although our country has made noteworthy progress in this area but still a lot needs to be improved. To assess the financial literacy level of women, we conduct a survey for which, a questionnaire is prepared and distributed among the working women in the state of Rajasthan. On the basis of these responses, we assess the financial literacy level of women based on their financial knowledge, attitude and behaviour relating to their personal finances. The results of the survey show that the general awareness about financial planning tools and techniques among women remains poor even today, in 21st century. The findings suggest that women have performed comparatively better in terms of financial attitude and behaviour as compared to financial knowledge score. Also, the single women outperform married women in terms of their financial literacy score.**

**The society which is structured on patriarchal lines is responsible for marginalizing women in all spheres of society, economy and decision making process. Gender differences led women to suppress in the decision making on various issues occurring in their daily activities. Roles and responsibilities of women and their choices are restricted to specific sphere. The present paper is an attempt to assess the socio-economic status of women living in Varanasi city and their participation in decision making process.**

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## INTRODUCTION

One of the biggest challenges for our nation is women empowerment which is achievable only when the women of the country will be educated and financially literate and independent. Financial Literacy means the capability to make effective decisions regarding the use of money. A financially literate individual is able to make intellectual judgments and take effective choices regarding the usage and management of money (Noctor et al., 1992). It is very encouraging to see that today women are at par with men in all fields but when it comes to financial decision-making, they are still dependent on the male members of their family. In our country, where poverty and unemployment are the major problems, it is very crucial to financially literate the women to fuel the engine of growth by providing opportunities to women to contribute to economic growth. There are instances of extreme poverty reported by women post the death of the earning member of the family. However, such instances could have been avoided with future financial planning, contingency savings and emergency funds. Sometimes, women are aware of such products but are reluctant to go for such options because of poor and incomplete information or lack of personal confidence. While women in developed countries

proved to be better financial planners relatively, it is the women of emerging economies who have to become literate when it comes to money management issues.

Financial literacy involves both concept and application and these two ends are tough to bring together in reality. It means that people should not only know the financial planning concepts but should be capable of applying them in their day-to-day transactions. The investment and financial planning remains a weak point of Indian woman, despite of being highly educated and working at good positions. The concept of financial literacy has various parameters like basic money management, financial planning and savings, investments, budget etc. According to an annual Mastercard index prepared for measuring financial literacy, "India is at the bottom among 16 countries in Asia-Pacific region in terms of overall financial literacy." In our study, we are trying to assess the financial literacy level amongst working women in the state of Rajasthan.

There are many definitions of financial literacy, for example, OECD defines financial literacy as "A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial

decisions and ultimately achieve individual financial wellbeing.” (OECD INFE3, 2011). To measure the level of financial knowledge and attitude of respondents and assessing their behaviours with regard to finances, it is very important to identify the potential needs and gaps related to the specific aspects of financial literacy. We examine the financial literacy level of Indian women by designing a questionnaire which is based on OECD survey and distribute it among the women working in different fields. We collected data on personal finances of the women and try to assess their behaviour and attitude towards financial decisions. A series of 16 questions were asked to respondents to measure their financial literacy level. The core questions included in the questionnaire tries to assess the financial knowledge, attitude and behavior of the women. It is believed that these demographic factors influence the literacy level of an individual, so we also try to examine their impact on financial literacy graphically.

Poverty does not mean just scarcity of financial resources, but has larger connotations like rights denied, opportunities curtailed & voices silenced. The patriarchal society of India has put a check on women's potential, capabilities as well as self-confidence just because of their financial dependence on men folk. There emerges the need of financial inclusion for women empowerment. Financial inclusion is “the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker section and low income groups at an affordable cost in a fair and transparent manner by mainstream institutional players.”, the committee on Financial Inclusion). Micro finance programs have significant potential for contributing to women's economic, social and political empowerment. Financial Literacy aids financial inclusion in many ways as it provides knowledge and awareness in the following aspects-

- Why save,
- Why save with banks,
- Why borrow for income generating purposes,
- Why to repay loans in time,
- What is interest and how moneylenders charge it,
- What is the need of insurance etc?

Though government has initiated many plans and different steps are taken there is a required strategic action to increase financial inclusion of women. An effort has been made through this paper to analysis financial literacy and financial inclusion as a tool for women empowerment.

One of the biggest challenges for our nation is women empowerment which can only be attainable when they

will be educated and financially literate and independent. A financially independent individual is able to make intellectual judgments and take effective choices regarding the usage and management of money (Noctor et al., 1992). It is very encouraging to see that today women are at par with men in all fields but when it comes to financial decision-making, they are still dependent on the male members of their family.

Since ages, this world has been a male dominated world, where men run the society and women follow him. Women are the important constituent of our society; rather they are the basis of human kind. It is rightly said that if we made a women literate whole family becomes literate. In 2015, the world literacy was 86.3%, among which 82.7% of women were literate. The Indian scenario is bit grim where among 72% literate persons, 62.8% women were literate. (“Literacy Statistics Metadata Information Table”. UNESCO Institute for Statistics. September 2015). These women, not only play an important role socially, but economically also. In India, virtually women are the main spender of the family whereas the men are the principal earner of the family. In earlier times the status of women was inferior compared to men as they are considered to be the perfect homemaker in the world, who is supposed to do the work of home and raise the family only. Though they had a higher status in scriptures, they are preached in different names like Goddess Durga, Goddess Saraswati, and Goddess Kali and so on. In modern times too their condition is not improved much, they were always under the influence of their parents before marriage and their husband after marriage. However the status of women in the modern time starts improving. Now women were given freedom & right such as freedom of expression & equality as well as the right to be educated. At this period various prestigious positions were held by women. However, some problems such as domestic violence, dowry, sex selective abortion, are still prevalent.

Society is a collective institution which regulates and controls the activities of daily life of its members. The life of the individual reflects the nature of the society. The nature of prevailing personality and its structure of an individual i.e. his/ her religion, educational status, form of family, marital status, is a significant component in any society formation. Thus the fractured status of individual should be measured through its social composition and an individual location in its social hierarchy. The study of Mittal and Ketkar (1970) reveals that the socio-economic factors such as education, religion, place of residence, and standard of living, are some important factors, which dent an influence on individual personality. Keeping in view factors how develop and shape the personality of an individual. Raju and Bagchi (1994) contributed significantly in the emerging field of gender study. It integrates different scales of analysis and combines economic explanations with local dimensions such as religion, culture, and societal constraints on gender roles in South Asian countries. With their empirical and

theoretical evidences they focused that female work is undervalued and greatly exploited.

The progress of science and technology has led to tremendous development in certain areas like education, transport, communication, mass media like newspapers, radio, films, etc; this has resulted in many changes in the life styles of men and women, the world over. The impacts of these changes are more evident in the urban areas than rural. The role, position and function of women are slowly improving toward rationality and more democratic. The age at marriage has been steadily rising. Education is spreading among women and there is a growing desire for participation in outdoor economic and social work.

Participation is a voluntary process by which people, including the disadvantaged (in caste, gender, income, or education), influence or control the decisions that affect them (Saxena). Though participation at individual level refers to identify their own needs, to get choices, share in decisions, implementation and evaluation of that action. For women to participate effectively in the social, economic, political and reproductive matters, for the development of the society and of themselves, a congenial and conducive atmosphere should prevail throughout the society. Under the existing traditional and patriarchal social conditions, there are multifarious factors like caste, class, colour, religion and education that determine the extent of women participation in the decision making.

## 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.

Lait and Rehmat (2012) in their study examined whether men's and women's retirement have a differential impact on several aspects of marital life, i.e. power relations (as reflected in decision-making), spousal resources, division of household tasks, and quality of marriage. There was evidence of change in decision-making patterns about spending time and carrying out feminine and general tasks. It was also found that men's retirement has a different impact than women's retirement on decisions about household affairs and performance of feminine tasks.

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.

Marieke (2014) argued in his study that perception of social support were based in part in the structural conditions of individual marital arrangements, specifically household decision of labour and decision making. The study suggested the structural arrangements within marriages likely impact individuals perceptions of social support and that the closer couples come to equal labour and decision making in the household, the more supported each partner is likely to feel.

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.

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.

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.

Akshita Arora (2016) conducted a study on Assessment of Financial Literacy among working Indian women; purpose of the study was to assess the financial literacy level of women. The study was conducted on 700 working women of urban areas of Rajasthan among which only 444 women responded. 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 are better in terms of financial attitude and behaviour as compared to financial knowledge.

## FINANCIAL LITERACY

Financial literacy can be understood as the ability to know how money works in a normal course of action. Specifically it refers to the set of skills and knowledge that allows an individual to make informed and effective decisions with all of their financial resources. Financial literacy is directly related to the wellbeing of an individual and society as a whole, since it helps an individual to manage their personal financial matters like savings, investments, tax planning, retirement planning, etc. and enables them to understand how more money can be generated and used in more effective and efficient manner.

Noctor et.al (1992) defined financial literacy as 'the ability to make informed judgments and to take effective decisions regarding the use and management of money'.

Moore (2003) stated that "Individuals are considered financially literate if they are competent and can demonstrate they have used knowledge they have learned. Financial literacy cannot be measured directly so proxies must be used. Literacy is obtained through practical experience and active integration of knowledge. As people become more literate they become increasingly more financially sophisticated and it is conjectured that this may also mean that an individual may be more competent".

Mandell (2007) defined financial literacy as "The ability to evaluate the new and complex financial instruments and make informed judgments in both choice of instruments and extent of use that would be in their own best long-run interests".

Lusardi (2008) define financial literacy as "Knowledge of basic financial concepts, such as the working of interest compounding, the difference between nominal and real values, and the basics of risk diversification".

The Organization for Economic Co-operation and Development (OECD) has defined financial literacy as "a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual wellbeing".

As per Reserve Bank of India, financial literacy can broadly be defined as the capacity to have familiarity with an understanding of financial market products, especially reward and risks in order to make informed choices.

The National Financial Educators Council defines financial literacy as: "Possessing the skills and knowledge on financial matters to confidently take effective action that best fulfils an individual's personal, family and global community goals."

Although the definitions given by different organisations and authors are varied, some similar components in each financial literacy's definition are found. Each definitions of the financial literacy have focused on the importance of having the financial skill and knowledge to make informed decisions.

## WOMEN IN POWER AND DECISION-MAKING

Women accounted for 11.6 per cent on average of members of national parliaments in 1995, and this increased to only 17.3 per cent by May 2007 despite the target of 30 per cent that was to be reached by 1995 – a full decade earlier.<sup>14</sup> There remain a number of countries with no representation of women in parliament (including one that has not yet extended the vote to women).

Evidence suggests that a major factor influencing progress is the nature of electoral systems and the practices of political parties. Proportional representation systems result in a higher proportion of women than those with plurality/majority or mixed proportional systems: overall, the former have an average of 16 per cent women compared to 11 per cent for the latter based on data for 174 countries in 2003.<sup>15</sup> This is in large part because of the way the system interacts with the concerns and strategies of political parties: in plurality/majority systems the incentives to parties are to select the most "electable" candidate, whereas proportional systems allow for a greater number of candidates to be put forward. Even so, where women are placed on party lists also has a major influence on the likelihood of women obtaining a seat. Political parties thus play a key role in both types of system.

Even when elected, women are less likely than men to be in higher-level decision-making positions in national parliaments. The number of women serving as

presiding officers in parliament decreased over the decade, down to 8% in 2005 from 10% in 1995. They are also continued to be under-represented in cabinet appointments.

Women's representation in decision-making positions in the civil service and public sector bodies are also concerns of the Platform for Action. The limited information available to assess progress illustrates the challenges in this area. The European Commission's database on women and men in decision-making is one of the few sources that focuses specifically on senior public service positions. Considering the proportion of women in the highest-ranked civil service position under the Minister, only 5 of 31 countries passed the 30 per cent threshold in 2006, although several others achieved this at the second highest level.<sup>19</sup> Occupation data from labour force surveys on the census provides another source of data, although data about the public sector may be difficult to extract as labour force surveys generally combine information from the public and private sectors.

Ensuring that decision-makers have ready access to information about potential women candidates for senior appointments is a way of counter-balancing the more established networks that men with similar experience may have to bring their name to the attention of decision-makers. It is also a practical way to respond to the tendency of managers to assume that qualified candidates will have qualities similar to their own, or that there are no qualified women in the field – assumptions that work against women as long as they are a small minority in decision-making positions.

Finally, considering the participation of women in strategic decision-making in the private sector, the "glass ceiling" – the barriers that limit the numbers of women reaching the top of the corporate hierarchy – is still evident.

## **METHDOLOGY**

The purpose of this research is to study if women lacked the financial knowledge and confidence with respect to personal finance management and investments which is hindering their ability to achieve the financial goals

## **DATA COLLECTION -**

- Primary and Secondary data is used for the study. Primary data is collated using the structured questionnaire distributed among the participants. Secondary data is obtained from various articles, Journals, Websites etc.
- This is purely an empirical study based on the method of surveys. The techniques of

questionnaires follow up discussion, interviews and other observations will be followed to obtain the required information.

- The sample selection is random and whoever is selected will be given a Questionnaire to check their levels of financial literacy and decision making power. A sample of 30 respondents are selected who are working in Banks, Colleges and other professional firms.

## **DATA ANALYSIS-**

The survey questionnaire was administered one to one with 30 participants. Responses have been obtained from all the 30 participants yielding a 100 % response rate.

Item Analysis - A total of 12 questions were administered through the Questionnaire. The first question is to identify the back ground of the participant and the next 3 questions measures the basic finance literacy of the participant. Next set of question focuses on their personal finance planning and investment.

## **CONCLUSION**

Our sample consists of the working educated women and we expected widespread financial knowledge but contrary to the expectations, very few women got rank among the highly financially knowledgeable. The respondents from rural origin do not possess much financial knowledge as compared to the women from cities and towns. Financial knowledge is more widespread among highly educated and urban women, maybe because of the exposure that they get from the outside world.

The financial knowledge among women can be improved with the necessary steps and measures by government or even by the private sector, by conducting financial literacy workshops etc. These workshops should not focus only on rural population but also on urban women as our results suggest that the level of financial literacy of urban women is also not sufficient. These financial literacy programs should be specifically designed for women addressing their financial and educational needs.

Since women's contribution to economic development is vital, there is a need of proportionate increase in her involvement in decision making process, because the success and progress of any production depends upon the plans made and decisions taken.

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## Corresponding Author

Dr. Madhu Tyagi\*

Associate Professor, Department Of Sociology, BSA College, Mathura

E-Mail – [tyagidra@gmail.com](mailto:tyagidra@gmail.com)