

# Enhancing Women's Financial Empowerment through Financial Literacy in the Changing World of Work

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## Abstract

The present study examines the role of financial literacy in enhancing women's financial empowerment and investigates how investment decisions of women get affected by their behavioral attitude, risk perception and some other constraints posed by technological and digital developments in this changing world of work. Therefore, empowering women economically and financially are crucial to reducing gender inequalities; eliminate poverty, and for achieving the targets of sustainable growth. The main objective of this study is to measure the level of financial literacy among women investors about the various aspects of investment avenues and to study the impact of demographic profile on investment preferences made by women investors. It focuses on some important factors that influence the investment decision making of women investors. The present research will help to portray a detailed picture of women investors' preferences towards emerging investment alternatives and emphasise the need to promote financial literacy level among women. So the Government should take initiatives to start financial literacy programme for women in India.

**Keywords:** Women's Financial empowerment, Changing world of work, Financial literacy, Risk behavior

## Introduction

The modern face of our changed society is result of significant and dynamic role played by women in last three decades. Women have been changing the outlook of society by contributing in various spheres of the societal development. In case of Indian context, contribution of women in the overall developed was not acknowledged. They were deprived of the proper recognition and continued being a neglected part of the Indian society. Although an attempt has been continuously made by government to frame laws pertaining to equality of women in all spheres of life yet women have been neglected and dominated by men when it comes to taking major decisions. Even our mythological literature mentions that women should get the equal status as men enjoy. After independence the constitution created equal opportunities for men and women, yet women remained secondary to men.

Women have made great strides over the last few decades. They have embarked their footprints in every sphere of life whether its education,

sports, research and engineering developments etc. Traditionally, the right to make investment decisions normally belongs to men. However, women today are making a bigger share of the decision over whether to invest in any kind of financial securities. It is a general fact that women are not lower than men in terms of intelligence, thinking, imagination, attitudes, courage and activities. But still when it comes to investment decision making, women differ in their decision because of their investment objectives, employment status, time horizon, age, regularity in monthly income and most important their risk appetite.

In case of India, historical data clearly reveals that women literacy rate in India has increased subsequently especially in last two decades. Where only 8.86% women were found to be literate in 1951, it is 65.46% in 2011. As per latest survey by IMRB the urban Indian woman who earned Rs 4,492 per month in 2001 was taking home as much as Rs 9,457 as of 2010. The rise in her income is directly reflected in the average monthly household income of urban India going up from Rs 8,242 to Rs 16,509 in 2010. In India, women have been considered to be 'Alpha' partner in financial decision making who often instigate for savings and men are considered to be 'Beta' partner who provide significant input to financial decision making but are willing to take less responsibility. It is evident that women are more stable in their investment decisions in comparison to men who make erratic decisions. This is because women are more in touch with their feelings; they are more able to control how their emotions might weigh on their investing decisions and avoid mistakes. During crisis, men generally respond with anger and women with fear. As men respond with anger, the world seems more certain, more amenable to control and less risky. Whereas women who respond with fear, the world appears full of uncertainty, beyond control and rife with risk. Because of the way in which men react they could be more prone to selling furiously when markets fall, and buy with overconfidence. Women on the other hand tend to be cautious, unwilling to take risk, or act with haste in situations of uncertainty. Men might be operating from a position of overconfidence, looking forward to beating their competitor and bragging about it later. Women may instead expect lower returns, watch out for risks, and be willing to sit out for the long term. This over conscious investment attitude of women put forth them in a very critical position of decision paralysis where they get lost in the process of examining and evaluating various points of data that she is unable to make a decision with it.

Major problem associated with final decision outcome of women is their behavioral built that end up in over thinking.

A hard fact to absorb is that large number of choices put forward leads to a problem of decision paralysis where they become incapable and dependent to take decisions. Hence, an admitting fact is as women are becoming more educated and are able to access more information, they come across more choices of investment with minute variation. It becomes difficult for them to absorb all the required information and choose a rational decision. Finally, the outcome decision may result in more dissatisfaction and frustration. Generally, to deal with the problem of this decision paralysis women are left with the choice of either to take opinion of their spouse, parents, friends and advisors or they try to avoid extremities. Given the choice of options with two extreme ranges of a variable, they will mostly prefer to choose intermediate option.

A widespread view concerning financial decision making is that women are more risk averse. As a consequence of this stereotype, a significant discrimination is identifiable which decreases the success of women in financial markets. However, recent data on economic indicators reveal that women are contributing significantly in the development of Indian economy. The increasing literacy rate has resulted in increased working women which in turn gives surge to increased income of women in India. Financial markets have still not been able to tap women investors as they need to realize that needs, perception and decision making of women investors are different. Thus, it becomes the need of hour to provide financial knowledge and education to women investors, so that they can take efficient investment decisions.

In recent times, technological advancements have transformed nearly every aspect of life. The expansion of the ICT continuously changed the financial markets and enabled financial services providers to market financial products more efficiently. To benefit from the innovations, however, women need a basic level of financial knowledge, so that they can identify and access pertinent information as well as evaluate the credibility of the source of the information. In this unpredictable environment, women can manage their finance efficiently, take advantage of opportunities when they present themselves, and plan for the future only if they are financially literate. In India, the Reserve Bank of India launched an initiative in 2007 to establish Financial Literacy and Credit Counseling Centers throughout the country which would offer free financial education and counseling to urban and rural women.

### Literature Review

Thilakam (2012) in his study stated that financially literate people can make sound financial decision, so they are more

inclined towards achieving their financial goal, have potential to hedge themselves against economic shocks and associated risks and eventually contributes toward the economic development. Lack of financial knowledge is the main reason that pulls people away from financial markets (Bernheim & Garrett (2001); Lusardi and Mitchell (2007); Van Rooji et al., (2011) and Yoong (2010). Financial literacy is equally important for both men and women. Women having higher financial literacy can plan more effectively for their future investments. Lusardi and Mitchell (2008)

Chen and Volpe (1998) recognized that people with higher levels of financial knowledge tend to have “right” opinions and make “correct” decisions related to savings, borrowing, and investments. Danes (1994) in his study indicated that a higher level of financial knowledge was positively correlated to a higher level and regular source of income as well as efficient savings and investment decisions. Leskinen and Raijas (2006) in their study concluded that financial skills and abilities are based on financial knowledge and awareness, which influences the personal attitudes of women in saving and investing behaviour. In their study, Afrin et al., (2008) found that financial management skills and the group identity of women borrowers have a significant relationship with the development of rural women entrepreneurship.

Bernanke (2011) highlighted the need for regular updating of financial literacy across all age groups because of the dynamic nature of financial products and services as well as the changing needs and circumstances of financial markets with time. He observed that exposing young people to financial concepts is particularly important as they are vulnerable to the temptations of taking excessive debt. He highlighted the efforts being made by the Federal Reserve Board to enhance financial literacy of individuals.

Van Rooij, Lusardi, and Alessie (2007) in their study focused on financial literacy level of Dutch adults. They concluded that households with low levels of financial literacy were more likely to base their behavior on financial advice from friends than others. Moreover, they were also less likely to invest in stock markets.

Agarwalla et al.(2012) conducted a study among 3000 individuals, and found that financial knowledge among Indians is very low than the International standards. But the financial behaviour and attitude of the employees and retired seems to be positive. The financial knowledge among the women are marginally high than the men.

Greater access to consumption credits has influenced the financial behaviour of young employees.

### **Research Methodology**

This study was initiated to dig out some important factors that influence the investment decision making of women investors. The present research will help to portray a detailed picture of women investors' preferences towards emerging investment alternatives. So that Government may take initiatives to start financial literacy programme for women. This study is an empirical investigation to reveal the minute information on how investment decisions of women get affected by their behavioral attitude, risk perception and some other constraints.

### **Objectives of the study**

The study was initiated with the following main objectives:

To measure the level of financial literacy through current level of awareness among women investors about the various aspects of investment avenues.

To study the impact of demographic profile on investment preferences made by women investors.

### **Sample selection**

Punjab is divided into three cultural regions, namely, Malwa, Doaba and Majha. For the purpose of this study, 200 women from non-financial sector were contacted from malwa region of Punjab. A well-structured questionnaire was used to achieve above mentioned objectives. The questionnaire involved 14 statements that aim to dig out information on current financial awareness level of women investors regarding various investment avenues. Section A of the questionnaire covered financial literacy and awareness and its impact on women investors. It was assumed that demographic variables have a significant impact on decisions of women investors. Hence, this study endeavoured to include different category of women investors in this study. As the focus of our study was to get the mixed responses of all categories of women investors, Initial plan was drafted to collect sample data from women in following ways:

Profession wise Sample distribution	
Category	Number of Female respondents from each zone
Salaried	50
Entrepreneur	50
Housewife	50
Professionals	50

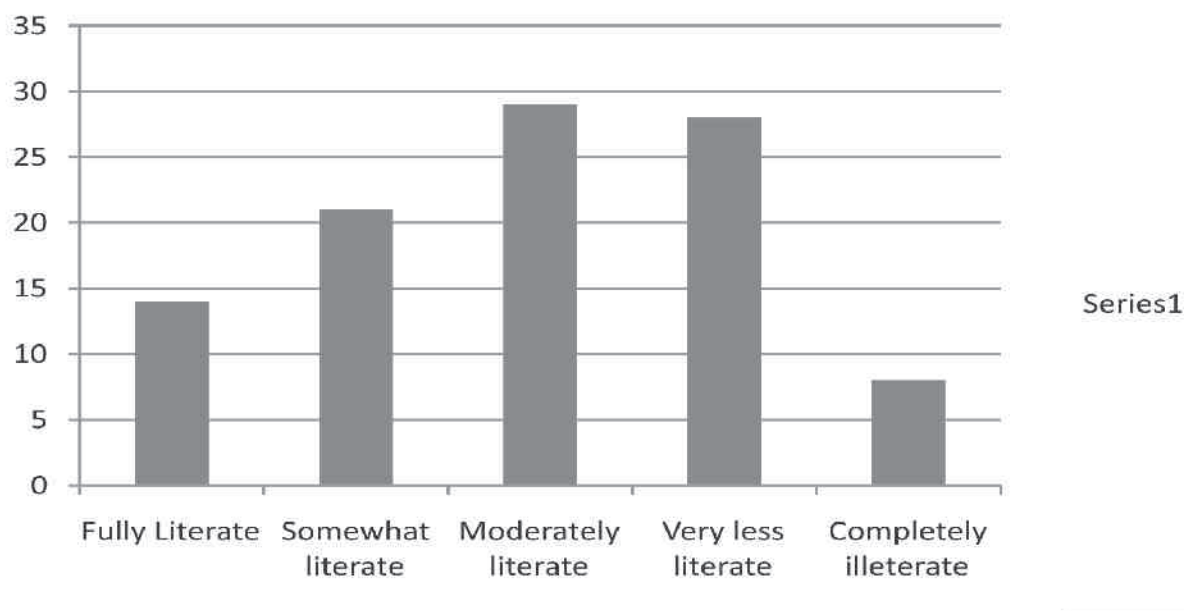
## Results and Analysis

### Financial Literacy: Awareness about New financial avenues

The main objective of this study was to examine the awareness level of women investors about the newly fangled financial avenues. Traditionally, very few financial

avenues were available with investors that included investment in Gold, Bank and insurance etc. But with upcoming information and Communication technology (ICT) investors reach has extended to many new financial avenues like stock exchange traded funds, Equity shares, debentures, Mutual Funds, Gold ETFs and real estate etc.

Figure 1: % Level of financial literacy among women investors



As shown in above figure, most of women investors have either very less or moderate knowledge about the emerging financial/ investment avenues. 29% women have admitted

that they have moderate knowledge whereas 28% have admitted that they have very less knowledge about the emerging investment avenues.

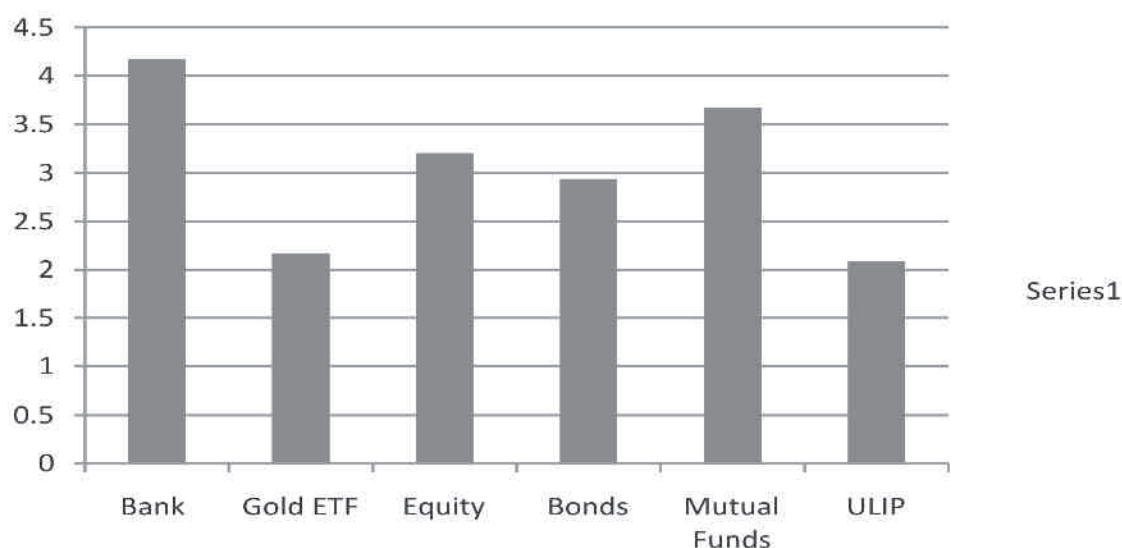
Table 1. Qualification wise mean and SD for risk &amp; return in various investment avenues

		N	Mean	S D	Std. Error	95% Confidence Interval for Mean	
						Lower Bound	Upper Bound
	1	54	3.93	1.272	.173	3.58	4.27
	2	98	4.19	.808	.082	4.03	4.36
	3	48	4.38	.703	.102	4.17	4.58
	Total	200	4.17	.945	.067	4.03	4.30
Gold ETFs	1	54	1.83	1.042	.142	1.55	2.12
	2	98	2.22	1.231	.124	1.98	2.47
	3	48	2.48	1.337	.193	2.09	2.87
	Total	200	2.18	1.227	.087	2.01	2.35
Equity	1	54	2.59	1.037	.141	2.31	2.88
	2	98	3.39	.970	.098	3.19	3.58
	3	48	3.50	1.052	.152	3.19	3.81
	Total	200	3.20	1.070	.076	3.05	3.35
Bonds	1	54	2.33	.824	.112	2.11	2.56
	2	98	3.12	.877	.089	2.95	3.30
	3	48	3.25	.887	.128	2.99	3.51
	Total	200	2.94	.939	.066	2.81	3.07
Mutual Funds	1	54	2.96	1.213	.165	2.63	3.29
	2	98	3.86	.812	.082	3.69	4.02
	3	48	4.08	.964	.139	3.80	4.36
	Total	200	3.67	1.061	.075	3.52	3.82
Insurance/ ULIP	1	54	1.78	.839	.114	1.55	2.01
	2	98	2.10	.958	.097	1.91	2.29
	3	48	2.42	1.334	.193	2.03	2.80
	Total	200	2.09	1.052	.074	1.94	2.24

Women investors were asked to give their responses on their awareness about risk and return present in six different investment avenues. Mean scores obtained from their responses clearly reveal that women admit that they are not literate about total risk present and prospective returns from banking investment with mean score of 4.17. It is worth mentioning here that education of women has significant impact on their awareness about financial avenues. Mean scores obtained for their literacy level regarding investment in banking sector shows that women

with PG as their qualification have mean score of 4.38 as compared to women with matric qualification (Mean score= 3.93). However, their responses on awareness regarding Gold ETFs clearly reveal that they are least aware about such kind of financial avenues (Mean score= 2.18). Results also provide that mean score of women with post-graduation as their qualification is higher (Mean=2.48) than women with matric qualification (Mean score=1.83).

Figure 2 : Mean scores of risk & return in different investment avenues



Awareness level of women investors has also been compared in accordance to their qualification level (Presented in Table above). It has been observed that as the qualification of women has been upgraded their awareness and literacy level with reference to financial avenues has improved significantly. Women with just matric as their qualification have mean score of 1.862 whereas women having post - graduation as their qualification agree that they are completely aware about emerging financial avenue with mean score of 4.208. Even very less variation has been reported in the responses obtained from these different set of women investors. Mean scores obtained for investment avenues in Equity shares and Bonds women investor moderately agree that they have some knowledge about risk and return from such investment with Mean score of 3.20 and 2.94 respectively.

Although mutual fund has emerged as a recent investment avenue but women seem to be more literate about mutual fund investment with mean score of 3.67. However, a

significant difference can be seen in the responses of women investors having matric as their qualification (Mean=2.96) and women having post- graduation as their qualification (Mean= 4.08). Insurance, although has been luring many investors but upcoming ULIP plans are not easily understood by women investors. Mostly, women have disagreed that they are aware about ULIP plans of insurance (Mean=2.09). Even, among these responses the impact of education level of women and their awareness is clearly visible with women having post graduation as their qualification have mean score of 2.42 and women having matric qualification have mean score of 1.78.

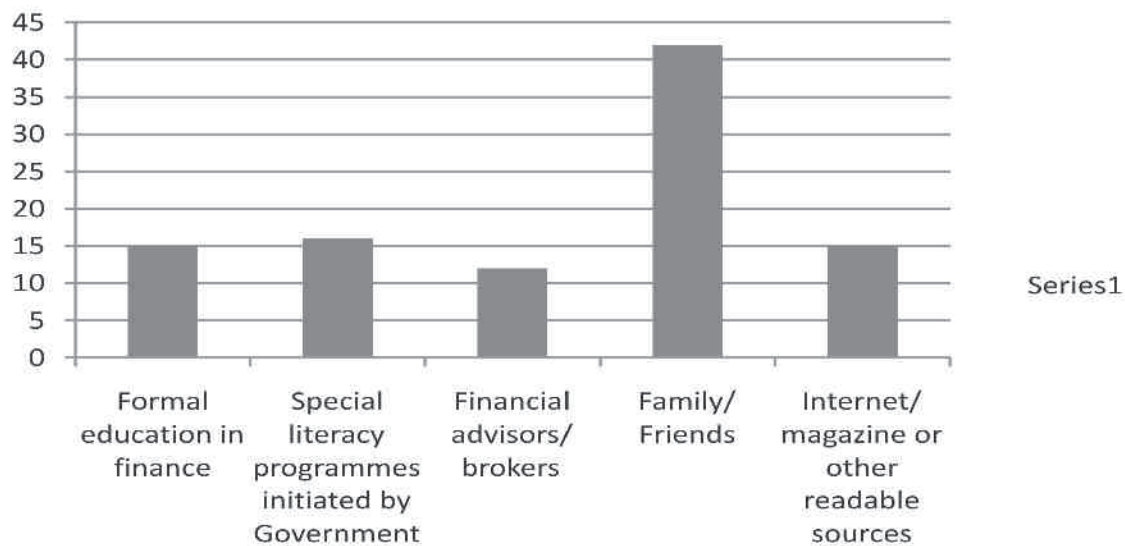


<b>Table 2 : ANOVA Results for Qualification</b>		<b>wise mean score differences in</b>				<b>Financial</b>
<b>literacy/Awareness</b>						
<b>Financially literate</b>		<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
<b>Bank</b>	<b>Between Groups</b>	5.285	2	2.642	3.022	.001*
	<b>Within Groups</b>	172.270	197	.874		
	<b>Total</b>	177.555	199			
<b>Gold ETFs</b>	<b>Between Groups</b>	10.980	2	5.490	3.748	.055
	<b>Within Groups</b>	288.540	197	1.465		
	<b>Total</b>	299.520	199			
<b>Equity</b>	<b>Between Groups</b>	27.698	2	13.849	13.621	.000*
	<b>Within Groups</b>	200.302	197	1.017		
	<b>Total</b>	228.000	199			
<b>Debentures</b>	<b>Between Groups</b>	27.749	2	13.875	18.527	.000*
	<b>Within Groups</b>	147.531	197	.749		
	<b>Total</b>	175.280	199			
<b>Mutual Funds</b>	<b>Between Groups</b>	38.627	2	19.314	20.501	.000*
	<b>Within Groups</b>	185.593	197	.942		
	<b>Total</b>	224.220	199			
<b>insurance</b>	<b>Between Groups</b>	10.400	2	5.200	4.879	.002*
	<b>Within Groups</b>	209.980	197	1.066		
	<b>Total</b>	220.380	199			

To determine whether differences between the means are statistically significant ANOVA has been applied on the responses obtained from these results. ANOVA results yield F ratio of  $F(2, 197) = 3.022$  ( $p < 0.05$ ) reveals that women investors' responses differ significantly at different education level for their awareness about risk and return prospects from Banking investment.. Chi square test has been applied to check the association between age of women investors and their awareness about emerging financial avenues. ANOVA has also been applied to test difference between the means of responses given by women investors with three different qualification levels. F ratio of  $F(2, 197) = 13.62$  ( $P < 0.05$ ) for awareness about equity investment and F ratio of  $F(2, 197) = 18.52$  ( $p < 0.05$ )

by all the three different group of women reveal that women responses are significantly different at different education level. Only in case of Gold ETFs F ratio of  $F(2, 197) = 3.748$  has been obtained which is not significant at 5% level

Figure 3: Sources of Financial awareness among women investors



Out of the total sample under the study, only 15% women admit that they have become financially literate by formal education in the field of finance. However, 42% women respondents replied that they become aware about investment avenues from the information they obtained from their family/ friends. Hence, these responses reveal the fact that despite unlimited information available on internet or other readable materials, women still use informal ways to get information about the investment avenues. These results also highlight the need to initiate more financial literacy programmes by the government as only 16% women investors have replied that they got aware about investment avenues from the literacy programmes initiated by the government.

### Conclusion

This exploratory study contributes to our limited body of knowledge on financial literacy/awareness level about various investment options among women. This research is timely because financial literacy is receiving significant attention from policy-makers, government officials, and educators in India. Based on the results and analysis, it is deduced that the findings of the present study showed evidence to suggest that there is a significant mean score difference in women's awareness level about various investment avenues based on their qualification level. Financial literacy is about enlightening women investors about their financial knowledge and enables them to use this knowledge to evaluate various investment avenues and make informed investment decisions. As a consequence of the changing structure of our economy, financial knowledge has become not just a convenience but an

essential survival tool because lack of financial awareness can lead to the making of inefficient financial decisions that can be harmful to both women and men. Thus, it becomes the need of hour to provide financial knowledge and education to women investors, so that they can take efficient investment decisions. However, women today are making a bigger share of the decision over whether to invest in any kind of financial securities. So it is our intention to raise awareness about the importance of financial literacy curriculum with policy-makers, government and researchers, so more focus can be given to financial empowerment of women by improving financial literacy.

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