

# A Study On The Financial Literacy Of Professional Women In The District Of Ernakulum, Kerala

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**Abstract:** Financial literacy is a keyword that is used to denote the understanding of financial matters. This includes majorly the area of personal finance. In order to manage financial resources effectively & efficiently, appropriate knowledge and skills are required. This includes making personal financial decisions in the areas of investing, Insurance, Retirement, tax planning etc. Financial literacy also includes developing deep knowledge of various financial concepts like financial planning, Compound interest, Savings methods, time value of money, the mechanics of a credit card, consumer rights etc. Having a lower level of financial literacy can lead to taking financial decisions that can have negative impact on the financial health of an individual. In this paper, a study on financial literacy among working women in Kochi Region in Kerala is attempted. Assessing the knowledge of working women towards investments in various financial products is also a part of this research. A structured closed ended questionnaire was given to working women in Kochi to judge the level of financial literacy.

**Keywords:** Credit Card, Demat account, financial decision, financial literacy, Personal finance, Initial public offer.

## 1. Introduction

The term personal financial literacy is just more than the ability to balance a checkbook, compare prices and earn a decent job. It majorly includes the planning for financial goals looking at a longer term, Retirement planning and investments. It also includes developing a habit to use these skills in day to day life every day. If we look at the working professionals of today, majority of them excel at their work places. But when it comes to managing their hard earned money, many of them tumble. A lot of them end up in heavy credit card dues, wrong investments, and no savings for retirement etc. This is because, in a country like India, we make great efforts in teaching our kids Science, Social Studies and Languages. But a little or no attention is given to them in creating financial literacy. A wide range of surveys carried out across the country on financial literacy points to the fact that the rate of literacy is very low. Live Mint and Wall Street Journal had done a survey recently in 2013. The results shows that India stands at a lowest position in Financial Literacy among the 16 Participating countries from the Asia Pacific region. The survey which was done at an urban level showed that Youth is more financially literate compared to the older lot. If results at an urban level showed the lowest financial literacy, we can very well imagine the state of affairs at the rural level. Mr. RS Mudholkar, whose is the CEO and Vice Chairman of FPSB mentioned that the above study was done on a very small sample and India as such is a very large country with a diverse lifestyle among its citizens. He was skeptical on the survey results and its validity for the entire country. So the current research is focusing on Young Women to get a clearer picture. Kochi is a medium sized Town in Kerala with the 2<sup>nd</sup> highest literacy rate in the state and includes a lot of young women most of whom are at least graduates. The study is focusing on these young women to understand if they all fall in the category of low financial literacy. It is a very common belief system that Women, especially working women does not have enough time to manage their finances. Most of them are busy in their household stuff, raising kids, health of the family members etc. and do not spend time for managing their money. So, they end up working for money but money doesn't do any good work for them. This research will help in having a better look on their

financial matters. Currently in India, the most popular investment avenues are considered as

1. Public Provident Fund
2. Life Insurance Policy
3. Housing Property
4. National Saving Certificate
5. Gold & Precious stones
6. Equity
7. Fixed Deposit
8. Mutual Fund
9. Systematic Investment Plan
10. Exchange Traded funds

*Source: The Business Standard*

## II. OBJECTIVE OF THE STUDY

1. To evaluate the level of financial literacy.
2. To understand the popular and the most preferred investment instruments.
3. To examine the literacy among the individuals who believe to have high financial literacy.
4. To find if they are taking any professional help for financial planning and the extend of this help

## III. HYPOTHESIS TO BE TESTED

1. The level of financial literacy among working women is very high
2. Among the investment avenues, Fixed Deposits are considered as the most preferred one
3. There is a great clarity on the long term financial goal
4. Working women has a low Risk Appetite

## IV. LITERATURE REVIEW

The research started by reviewing various magazines, Journals, Books and internet sites related investment and money management. The main keywords researched are Financial Literacy, Challenges faced by women regarding money management & Investment knowledge.

### **Financial Literacy**

Though the term financial literacy has been widely used in various occasions many of the users are still unaware of the real definition of this term. As Stone (2004) mentions financial literacy as the ability to read, analyze, manage and communicate about personal conditions affecting material wellbeing. For an employee, he/she would be considered financially literate if he/she is able to understand the various financial terms. Teaching basics of finance at home plays a major role in imbuing financial literacy. Eikmeier (2007) in his study on financial literacy stresses the point that children learn financial management behavior through observation and participation and through intentional instruction by socialized agents, family Peers, school, workplace, media, and culture. When compared to men, women learn about money management from their own parents from their own mistakes. Women in general carry less knowledge about personal finance topics but giving proper education to them on these areas can impact the financial literacy of women (Chen, 2002). Personal financial literacy for women is often related to their own self perception of their knowledge in the various areas of personal finance (Chen, 2002). Women having a university degree is believed to be managing money together with her spouse (Yodanis, 2007)

### **Financial Obstacles/Barriers**

Women face many hindrances to financial well-being. The term financial literacy itself acts as a barrier because it implies that a person may be financially illiterate. The tag of being illiterate creates another barrier. It gives the perception of a person not able to understand or not having the knowledge to understand. There are also many circumstances that women face in their life which can ultimately turn as barriers for them becoming financially secure (Morris, 2007) Women, being mostly raised as caregivers and not breadwinners are very uncomfortable talking about money matters. Branigan (2004) mentions that societal beliefs fail to value women's contribution to relationships and in turn, women may fail to fight for their financial rights as they themselves lack experience of this recognition" Many a times women is likely to work for part time than for a full time job as they need to take care of their children and parents (Hartford, 2008). Their role as caregivers for the family and their frequent movement in and out of the workplace causes women to lose out on her salary and other retirement benefits (Labor, 2008). Women tend to focus most of her time in Childcare and other household responsibilities while men focus to be a breadwinner (Branigan, 2004). Since they earn less, they end up retiring with less benefits compared to men (Knight, 2009) Women tend to earn less but they have a longer life expectancy. (Hartford, 2008) states that in US itself there are twice as many old age women as compared to men. They have a longer life expectancy than men and therefore they need to save more for their retirement. But women are more likely to spend money on their children or the household (Frankel, 2008). There is a commonly used term "Bag-lady Syndrome" which refers to women who are well off but still live in a fear of financial breakdown (Bach, 2002). This fear is true because women earn less than men, spend most of their earnings on caregiving of her family, reluctant to add on wage hikes etc.

### **Challenges faced by Women and Investing**

Women traditionally are primarily responsible for their own home and household maintenance activities, which mostly takes care of household budgeting and paying the utility bills (Chen, 2002). They are more likely to spend money on their children and families rather than put money away for their retirement. Most of the women allow their husbands to manage their finances. This is a challenge as most of them do not receive any education in finance until they are divorced or widowed (Bach, 2002). They job is to sign the Financial/Investment documents that their husbands ask them to do without any questions (Knight, 2009; Bach, 2002; Frankel, 2008). Yet another challenge for women is that they do not give proper value to their abilities and talents. Chen (2002) states that women shows less interest in learning about financial topics. They put forward lots of excuses for not being involved in financial matters. These include I don't earn much, I don't have any time, I am not interested in money matters etc. (Frankel, 2008)

### **The Financial Powerhouse**

Decision making is always aligned with people who have power. At families, since men are considered as the breadwinners and earn more than women, power of decisions also lies with them. When women earns less than men, they tend to become unequal in the decision making process. It is also perceived that women becoming a breadwinner in a relationship can threaten the men's sense of control (Yodanis, 2007). There can be financial abuse when men tend to control money and keeps away women's access to that ((Branigan, 2004). Financial abuse can occur in all types of socio-economic groups irrespective of the household income and assets. When a relationship breaks down, it is mostly women who suffers as there are not sufficient resources to meet the needs of the parents and children post the break down (Branigan, 2004)

### **Investment Strategies**

Since women does not take any formal education on their finance or investment strategies until they are divorced or widowed, it is during these emotional times that most of them take control over their finances. (Bach, 2002). Women invest conservatively as compared to men and so they tend to earn less than men (Labor, 2008). This makes their portfolio's to grow slower. Another are of concern for women is Risk Tolerance. Loibl (2007) mentions that women are less –risk tolerant investors due to the fact that they are less confident in their investment decisions. They always invest very less in securities. This low risk tolerance is preventing them from gaining adequate funds to meet their financial goals

### **Conclusion**

The literature review of this research paper identified some of the existing research in the areas of women's financial literacy and investment strategies. The review opened up the areas of challenges and financial barriers that women face today. The research suggests that availability of tools will help women to feel confident about their financial decisions.

## V. METHODOLOGY

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. A sample of 30 respondents are selected who are working in Banks, Colleges and other professional firms

## VI. REFERENCE TERMS

1. Working women Professionals
2. Kochi- Kerala
3. Age group – 22 -40
4. People who are mostly in accumulation stage is being focused.

## VII. 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 background of the participant and the next 3 questions measures the basic finance literacy of the participant. Next set of question focusses on their personal finance planning and investment.

### Questions

1. Educational Background
  - a. Finance – 5 Respondents
  - b. Non Finance – 25 Respondents

2. What does 'EPS' stands for

Correct Answer	5
Wrong Answer	7
No Response	18

3. What is the current rate of Inflation

Correct Answer	5
Wrong Answer	7
No Response	18

4. Net Present Value Means

Correct Answer	9
Wrong Answer	3
No Response	18

5. Mutual Fund Investments are helpful for those people who wants to

A Defined Return	6
Wanted to have a diversified portfolio	24
An Overall Protection	
To benefit from the investment of other investors	
Don't Know	

6. Your Long Term Financial Goal may be defines as

Financial Independence	18
Retirement Planning	10
Children's Education	2
Don't Know	

7. Do You hold a trading/Demat Account

YES	9
NO	21

8. What is your trading habit

Every Day	
Once in 2 Months	6
No Trading	3

9. Do you have own Life Insurance Policy and your purpose of having that

Tax Saving	7
Insurance Cover	7
Tax Saving + Insurance	13
For Keeping Money Safe	3

10. Which of the below do you consider as the best investment options for you

Fixed Deposits	3
Mutual Funds	3
Gold	2
LIC	3
Stocks	2
Real Estate	2
SIP	7

11. How do you rate your risk appetite

High	
Low	6
Medium	24

12. Do you play active role in taking the Financial Decisions in your Family

YES	20
NO	10

**VIII. FINDINGS**

1. Among the respondents, only 25 % were from the Finance Background
2. Hypothesis 1 which states that Financial Literacy among women is HIGH can be rejected as only 32 % if the respondents answered the financial concepts correctly
3. Hypothesis 3 which states the clarity of Financial Goal is accepted as all the respondents have got a clear financial goal
4. Though FD is perceived as an investment option, it is not the best option. SIPs are considered as the best investment option by women. So , we reject Hypothesis 2
5. Women though believed to have a lower risk appetite is not always true. 80 % of the respondents had medium risk appetite and a majority of them (around 72 %) participate actively in the financial decisions with their spouses. So we reject Hypothesis 4.
6. LIC policy is taken for life insurance only by 13 % of the women

**IX. ANALYSIS**

1. The survey findings shows that majority of the women professionals to have financial knowledge. But having a basic financial knowledge is not sufficient. They still remain as financially illiterate on the concepts of Money Management and Investment.
2. The literature review suggested that women’s role in the decision making of the family is very limited as they never become the power Centre’s. But analysis showed that urban women do make decisions on their personal investments and money management along with the various financial decisions of the family
3. Though a lot of investment opportunities are available in the market, a majority of women are not accessing the same. Few of them are aware of these opportunities, but having no DEMAT account or trading experience, they are not investing in mutual funds or stocks.
4. During the survey, it was indicated that the most preferred investment vehicle for women is SIP. Since a majority of them are medium risk takers, proper education needs to be provided to them regarding these SIP investments.

**X. LIMITATIONS**

1. The sample size chosen is very small and may not be an indicative of the entire women working population
2. The analysis is purely based on the Primary data collected and the secondary data available. These data will have its own limitations.
3. The research is restricted to one particular area and may have a different flavor in any other part.

**XI. SUGGESTIONS**

1. It is recommended that Financial Planning needs to get started as soon as they start earning so that they can have sufficient funds to meet their financial goals.
2. Individuals need to undergo financial training and personal money management training through various courses/seminars organized by corporate or various other financial institutions
3. Individuals should start looking into other investment vehicles and not limiting themselves only to SIPs and Fixed Deposits
4. Individuals may take professional help in setting up of their financial goals (If in case they are unable to do it on their own) and have a periodic review of the road map set for achieving these financial goals. There can be situations where changes in the personal or other economic scenarios might lead to a change requirement to the investment procedures followed till date
5. It is recommended that women do create a demat account and start using them effectively as it is a hassle free instrument for managing various investments
6. Precautions need to be taken while dealing with the various financial consultants. Individuals should have an awareness regarding the investment options and should not blindly go with the advice of the consultants.

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