

Are Women Financially Educated? A Study with Reference to Earning Women of Aurangabad District, Maharashtra

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Abstract

The global economic crisis has been a learning experience the world over. The causes of this crisis have been critically analyzed by many. One of the important reasons identified by the analysts is the complexity of financial instruments and the lack of proper understanding of them among the common investors. This clearly points out the inadequacy of financial education among the populace. Research from around the world reports inadequate financial literacy which raises serious concerns about the ability of individuals to secure their financial well-being. There is evidence that individuals under-save, fail to invest wisely, and are often indebted. The fact needs be emphasized that in today's world that promotes gender equality, both women and men need to be sufficiently financially literate. However, women often are observed to be playing a passive role in case of financial decision making. This research paper attempted to study the extent of financial awareness and financial knowledge among earning women. The paper concluded with an emphasis on financially educated women for financial well being.

Keywords: economic crisis, financial awareness, financial knowledge, financial education

JEL Classification: D14, G01, G02, G11

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The economic crisis of 2008-09 has given a remarkable turn to the economic research across the world. It has made the economists rethink about the direction and the path traversed by all economies of the world. Rigorous attempts were made to understand and identify the causes for this economic downturn. One of the important reasons, as stated by the analysts, is the lack of financial education or rather financial literacy. Research from around the world has reported inadequate financial literacy which raises serious concerns about the ability of individuals to secure their financial well-being. There is evidence that individuals under-save, fail to invest wisely, and are often indebted (Mitchell, 2011 ; Poterba, Venti, & Wise, 2007).

The financial world today provides a wide and complex range of financial products. Investing money has become a very complex task because of the huge number of savings and investment companies and products offered, terms and conditions of investments, and prevalent complex rules and regulations (Lokhande, 2015). In the Indian context, we find a complete extreme scenario. On one the hand, we have people left out of the mainstream of the financial world, and on the other, we have people financially strong, enough but totally confused about the choices for investing. Obviously, the policy makers have to cater to the needs of both these extremes. Consequently, financial inclusion and financial literacy have become the key elements of financial policies of this day. Now, the economic fluctuations across economies have compelled to focus on financial education, thus providing financial literacy (Bhonde-Saraf, 2014). It may be noted that the Reserve Bank of India

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has mandated that banks take the initiative to enhance financial inclusion and financial literacy in the country. A draft of *National Strategy for Financial Education* was prepared and released by RBI (Reserve Bank of India, 2012). The strategy includes observations on not only the role of the banks, but also the need for financial education in schools.

Rationale of the Study

Since time immemorial, women have had great propensity to save and invest (Paramashivaiah, Puttaswamy, & Ramya, 2014). Indian women particularly are active in daily decision making about the allocation of household resources. Obviously, they can play a major role in the transmission of financial habits and skills to their children. Specifically, women have a lower level of financial literacy than men (Al-Tamimi & Kalli, 2009). Hence, they themselves need to be financially literate for transformation of savings into investments through appropriate instruments. With this belief, the current study attempts to investigate the extent of financial literacy among the earning women of Aurangabad district, Maharashtra. It further tries to identify the influence of demographic variables on their awareness and financial knowledge.

Objectives of the Study

- (1) To identify the level of awareness about basic financial products among the sample respondents.
- (2) To understand the extent of financial knowledge among the sample respondents.
- (3) To study the influence of demographic variables on financial awareness of the sample respondents.

Methodology

(1) Sampling Design : The study is based on sampling technique. The study was carried out in Aurangabad district during 2014. A sample of 98 earning women were chosen for the study. Only earning women were considered with an assumption that a person is expected to be more concerned about money when it is his or her own earning. Especially, in case of women earners, it is assumed that they being the money earners may exercise their own discretion about its usage as well. Due care was taken to ensure representation of the entire population. The sampling method hence chosen was random sampling based on convenience to a certain extent.

(2) Profile of Aurangabad : Aurangabad is a developing district of Maharashtra with various big and small industries, fine silken textiles, and wonderful hand woven brocades of silver and gold fabrics, *Himroo* of world fame. The district of Aurangabad is characterized by an expanding industrial belt. With the Delhi-Mumbai Corridor, many new companies are set to enrich the industrial strength of the district. This indeed is providing better employment opportunities for the locals. Thus, Aurangabad now is a booming industrial zone and one of the fastest developing areas in the whole Asia. Women too are contributing substantially in the workforce of Aurangabad.

(3) Tools for Data Collection & Processing : The present study is based on survey method. It involves the collection of primary data from the earning women. The secondary data was collected from various books and articles published in various journals and magazines. Earning women representing all walks of society were selected for the study. The primary data was collected with the help of a structured questionnaire. The data so collected was processed and analyzed with the help of SPSS. The statistical tools like percentage analysis and cross-factor analysis were applied.

Table 1. Summary of Respondent Profile

Particulars	Categories	%ge
Age	20-30	20.4
	30-40	31.6
	40-50	34.7
	Above 50	13.3
Family Type	Nuclear	57.1
	Joint	42.9
Income level (Annual)	Upto 1 lakh	13.3
	1-3 L	39.8
	3-5 L	31.6
	Above 5 L	15.3

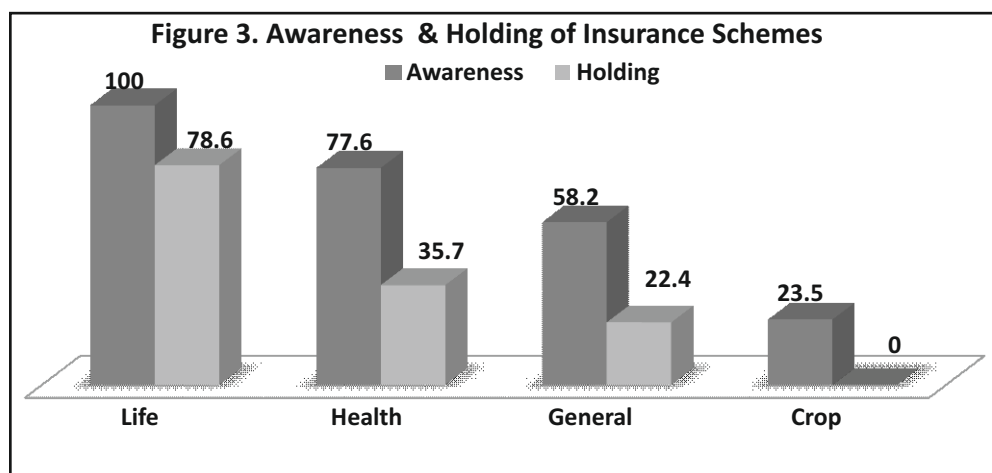
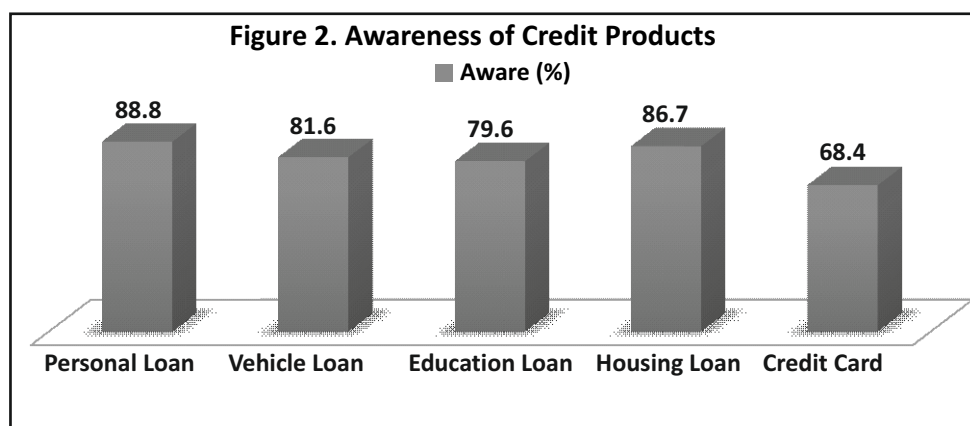
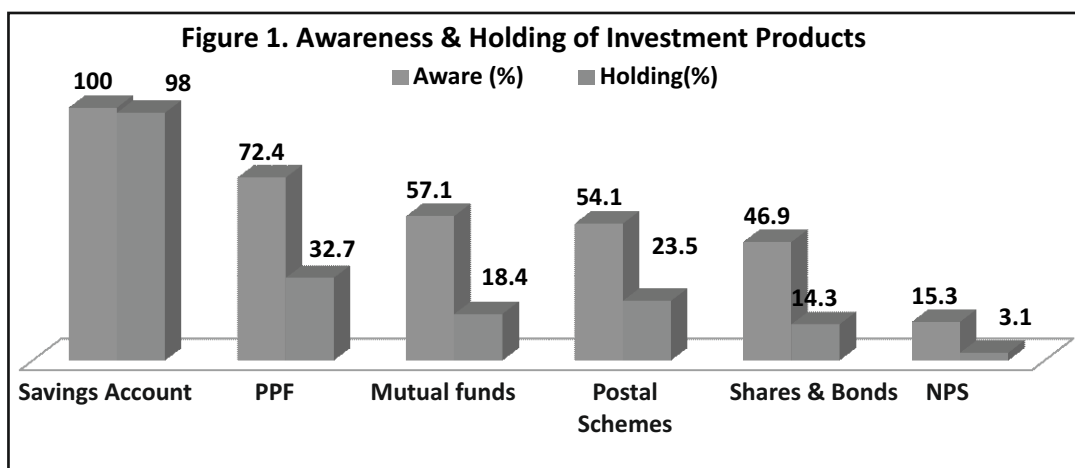
(4) Measurement of the Variables : The study focuses on two important parameters, that is, financial awareness and financial knowledge among the respondents. The extent of financial awareness is an indicator of the percolation of financial products among the earning women ; while, the level of financial knowledge shall depict the ability of the respondents to understand these financial products for sound decision making.

Analysis and Results

The data collected was encoded and tabulated. It was further exposed to statistical tools like percentage analysis and cross factor analysis. The profile of the respondents is given in the Table 1. It is clear from the Table 1 that of the total 98 respondents, almost one-fifth belonged to the age group of 20-30 years, while 31.6% lay within the age group of 30-40 years ; 34.7% and 13.3% of the respondents were in the age brackets of 40-50 years and 50-above years, respectively. The Table 1 also states that 57.1% of the total respondents lived in nuclear families, while 42.9% lived in joint families. It is further observed from the Table that 13.3% of the respondents were from the income group upto ₹ 1 lakh, while 39.8% were from the income group of ₹ 1-3 lakhs ; 31.6% were from the income group of ₹ Rs. 3-5 lakhs, and only 15.3% of the sample respondents belonged to the high-income group of above ₹ 5 lakhs.

(1) Financial Awareness : Awareness about basic financial products can be treated as the first step towards financial literacy. The financial awareness of the respondents was checked against three important categories, that is, investment products, credit products, and insurance products. Furthermore, their awareness about technological advances in the field of finance was also analyzed. Attempt was made to find out the extent to which this awareness was materialized by their personal holdings of these financial products.

(2) Awareness of Investment Products: It can clearly be observed from the Figure 1 that cent percent women respondents were aware of savings account in the banks, while a substantial 98% maintained their own savings accounts. It was also found that less than three fourth of the respondents were aware about PPF, while only 32.7% had their own PPF accounts. Only 57.5% of the respondents revealed of being aware of mutual fund schemes, and just 18.4% of the working women had invested in mutual fund schemes. Almost 54% of the respondents were found to be aware of postal schemes, and only 23% possessed them. Less than half of the total respondents were found to be aware about shares and bonds. The holding of these products was confined to only 10-15% of the total



respondents. Astonishingly, only 15.3% of the respondents were aware about National Pension Scheme, and a marginal 3.1% had NPS accounts.

(3) Awareness of Credit Products : It can be observed from the Figure 2 that majority of the respondents were aware about the credit products available in the market. Only in case of credit cards, the awareness was restricted to only 68.4% of the total respondents.

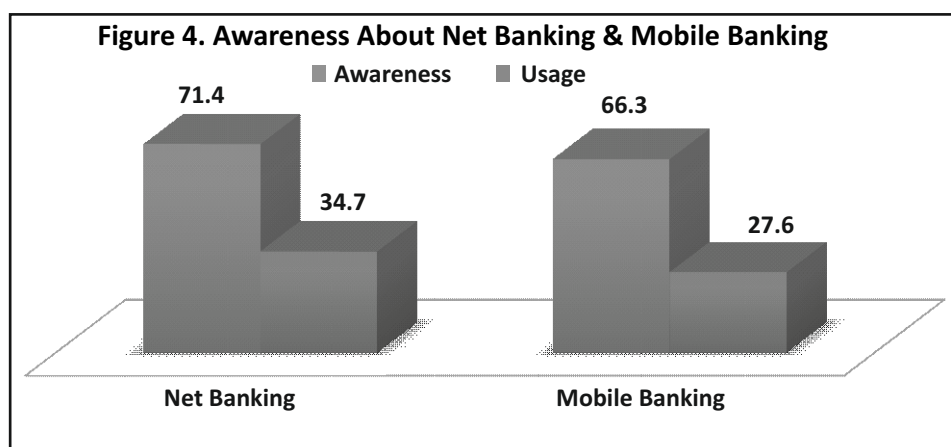


Table 2. Financial Knowledge of the Respondents

Particulars	Response (%)		
	Correct	Incorrect	Cant's say
Time value of money	38.8	35.7	25.5
Simple interest calculation	79.6	6.1	14.3
Risk return relation	73.5	5.1	21.4
Diversification	43.9	30.6	25.5
Cost-Benefit relation	40.8	26.5	32.7

(4) Awareness of Insurance Products: Information was collected about the awareness as well as holding of insurance products among the respondents. It can be observed from the Figure 3 that cent percent respondents were aware about life insurance schemes, but only 78.6% held life insurance policies. It is further observed that of the total respondents, 77.6% of the respondents were aware about health insurance, while only 35.7% had a health insurance policy. The awareness about general insurance was found in less than 60% of the respondents, and only 22.4% of the respondents had a general insurance policy.

(5) Awareness of Net Banking and Mobile Banking : The Figure 4 clearly indicates the awareness and usage habit of respondents regarding net banking and mobile banking. It was observed that 71.4% of the respondents knew about net banking facility, but only 34.7% used it. On the other hand, 66.3% of the respondents knew about mobile banking and only 27.6% used mobile banking.

(6) Financial Knowledge : A financially literate person will have some basic knowledge of key financial concepts. The questionnaire, therefore, included five questions to test the level of knowledge of the respondents. The questions were chosen to cover a range of financial topics and varied in difficulty, although none of them was excessively complex and none of them required expert knowledge.

The Table 2 elaborates the extent of financial knowledge held by the respondents. It was found that of the total 98 respondents, only 38.8% could respond correctly to time value of money. A substantial one fourth of the respondents were unable to answer the said question. Three fourth of the total respondents were observed to be able to calculate simple interest as well as could respond correctly about the risk-return relationship. Only 43.9%

Table 3. Investment Preferences

Investment Avenues	Respondents (%)
Gold	41.8
Bank FD	44.9
Equities	3.1
Others	10.2

of the respondents understood the meaning of diversification ; only 40.8% of the respondents could use the cost-benefit relation in decision making. Furthermore, the respondents were given a situation wherein if they were left with a surplus of ₹ 10, 000, where would they prefer to invest ? The following results were obtained: It is observed from the Table 3 that majority of respondents (44.9%) revealed that they would invest the surplus money into banks, while a substantial 41.8% found gold as the most preferable investment avenue. Only 3.1% of the respondents were interested in investing in equities.

Cross Analysis

After the overall analysis, an attempt was made to identify the influence of the age of the respondents on their level of awareness of financial products. The Table 4 provides a summary of extent of awareness of the respondents within each of the age categories.

Of the total 20 respondents belonging to the age group of upto 30 years, a majority were aware of savings account, loaning schemes, as well as life and health insurance schemes. However, they were found to be less aware about postal schemes, equity investments, and the National Pension System. On the other hand, of the total 65 women in the age category of 30-50 years, lack of awareness was found only in case of NPS. Within the women respondents belonging to the age group of 50-above years, lack of awareness was observed for equities, NPS, and

Table 4. Age*Level of Awareness

Particulars		Upto 30 yrs. (%)	30-50 yrs. (%)	50-Above yrs. (%)
Investment Products	Savings Account	100	98.5	100
	PPF	45	76.9	92.3
	Mutual funds	50	58.5	61.5
	Postal Schemes	25	61.5	61.5
	Shares & Bonds	30	53.8	38.5
	NPS	10	15.4	23.1
Credit Products	Personal Loan	85	90.8	84.6
	Vehicle Loan	70	84.6	84.6
	Education Loan	90	78.5	69.2
	Housing Loan	70	90.8	92.3
	Credit Card	70	72.3	46.2
Insurance Products	Life	100	100	100
	Health	70	81.5	69.2
	General	30	64.6	69.2
	Mean (%)	60.4	68.4	70.9

credit cards. The overall awareness was measured by computing mean percentages within the age categories. It can be clearly observed that the extent of aware women increased with age - from 60.4% for upto 30 years to 70.9% for 50-above years.

Findings of the Study

- (1)** The awareness level towards risk free investment products was found to be higher among the earning women. On the other hand, the earning women were found to be sparsely aware about risk prone investment products like mutual funds, shares and bonds, and New Pension System.
- (2)** Within the risk free investment options, awareness about postal schemes was found to be the lowest.
- (3)** The earning women were found to be more inclined towards maintaining only a savings account.
- (4)** Investment in risk prone avenues even today is observed to be a far off dream for the earning women under study, which is in conformance with results observed in the survey of urban households conducted by NCAER in 2011 (National Council of Applied Economic Research, 2011).
- (5)** The NPS-scheme introduced by the Government of India was found to be lagging on both awareness and holding.
- (6)** The earning women were, however, observed to be better aware about various credit products like housing loan, education loans, and so forth.
- (7)** It may be noted that awareness about the life insurance schemes was observed to be cent percent among earning women considered for the study.
- (8)** The analysis of data further indicates that substantial proportion of earning women under study were not aware about health insurance and general insurance schemes.
- (9)** Quite surprisingly, a huge majority of earning women did not have their health insured.
- (10)** More than one-third of the earning women were observed to be unaware of modern modes of banking, that is, net-banking and mobile banking.
- (11)** Majority of the working women were found to fare poorly on questions testing their financial knowledge.
- (12)** They were unable to apply the concept of time value of money, diversification of investment, and cost-benefit relation. This indicates the dire need of providing financial education for better financial decisions.
- (13)** Purchase of gold was found to be a popular avenue for ploughing surplus funds, if any, among the earning women.
- (14)** The earning women also showed inclination towards investing surplus funds, but they did so largely in risk free banking products.
- (15)** The cross analysis with age indicated that with graduating age, the earning women showed better awareness about investment products, credit products, and insurance products. This is in conformance with the finding that older and working women have a better grasp of finance matters documented in a study carried among women investors across Asia-Pacific by Mastercard in 2011 (MasterCard, 2011).

Research Implications

The study attempts to understand the extent of financial awareness and knowledge among the earning women. It was observed that among the earning women, investment diversity was uncommon ; hence, the investment firms and banks should lay special focus on introducing women oriented investment products. Further dissemination of information about risk carrying investment products should lead to reducing the hesitation among earning women for investing in risky investment options. Insurance service providers should design women oriented strategies to explore the uninsured women population. These earning women need to be made capable and confident in the financial decision arena. They should also be acquainted with the modern methods of investment, that is, e-banking and mobile banking. Workshops on financial literacy should be conducted exclusively for women, mainly to orient them in financial skills like planning, decision making, and so forth.

Conclusion

It is generally assumed that an individual should be well aware of where his or her hard-earned money is being invested. The financial well-being of a person is based upon the decision making capability of the person. In turn, sound decision making is dependent upon the extent of awareness and knowledge held by the individual. The present study reveals that ignorance towards financial affairs dominates the women community even today. The traditional investment avenues, which are largely secured, are more popular among women investors as compared to the risk prone modern investment products. Women investors are moderately aware about e-banking facilities, but are still hesitant to use them. Thus, it can be concluded that with the growing participation of women in the working population of India, they need to be better off with financial decision making.

Financial decisions should no longer be a domain dominated by the male fraternity alone. Hence, the women investors need to be exposed to better financial education. The banks as well as other financial institutions should impart financial literacy by conducting workshops, distribution of brochures among their customers, as well as make use of SMS services to educate their investors. This will help in giving a momentum to the Indian economy.

Limitations of the Study and Scope for Further Research

The present study has faced following limitations: Only 98 earning women participated in the study. The outcomes of the study may have been affected due to limited willingness of the respondents to share their financial information. Absence of accepted indicators of financial literacy also have limited the study. The study provides exposure to a new area of concern in the field of behavioral finance. Further research may be carried to identify the nature of financial literacy programmes necessary to impart financial literacy. The research may be extended to cover respondents across different states of India. Both earning and non-earning populace may form the subject matter of future studies.

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