# A STUDY ON IMPACT OF FINANCIAL LITERACY ON WOMEN IN BENGALURU CITY

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**Abstract**

The growth and development of a place or people all are based on their financial condition. Finance is playing a key role for measuring the living standards of people and evaluate the economic growth of a country. Therefore, the people should have knowledge of various sources of finance investment and its importance. The purpose of this research work is to study the financial literacy of working women respondents and their preferable source of investments on financial products. In this study, financial literacy mentioned as knowledge of various investment sources of finance like bank savings, post office savings, Investment on mutual fund, capital market and gold. Hence, the study was collected information through questionnaire from different category of working women respondents. The data was collected from respondents with the questions entailing with their knowledge of various sources of financial investment and its avenues. The research study used the basic descriptive statistics and One-way ANOVA to test the hypothesis. The study found that most of the women are good in savings & borrowings, Loan issues but they have less experience in handling investment issues, calculation of interest rate, little exposure in long term investment and less interest on regular tracking expenses. Though the respondents are illiterate, but they had less exposure on financial investment. It shows that most of the women required to take financial training from the organisation with their family, friends, and other welfare associations.

*Keywords: Financial literacy, Investments, Savings, Expenses, Investments avenues.*

**Introduction**

In the recent year, financial literacy is a prominent aspect of an Individual growth and an economic development of a country. It is a strong pillar of wellbeing of society and develop the standard of living of people. The fundamental knowledge of financial literacy behind that set of skills and knowledge helps an individual to make right financial decisions and to understand finance. In developing countries, individuals, businesspeople all are face various

financial investment problems due to lack of financial knowledge whether it may be micro or macro level of economy. Thus, insufficient knowledge of financial literacy can be creating high debt or borrowings (Lusardi and Tufano, 2009). Generally, everyone knows the value of money and it is increased the complexity of financial products and services has meant that it is infuriating an average person to be asked to take financial decision. Thus, the confusion has arisen because of the rapid growth of financial markets and its financial instruments. It is providing more complex financial products and increased the inability of an individual to understand basic financial concepts. To understand the financial products means everyone should have financial education not only for purpose of investment and also average family person trying to balance his family budget like day to day expenses, savings, buy a home, investment for children's education and ensure certain income after his or her retirement and they are age. As a result, here we can understand that financial literacy is important for the common people. In the recent research study Leora et al. (2014) also stated that in a developing countries as well as developed countries, women the poor, and lower educated women respondents are more likely to suffer to understand the various financial instruments and its investment avenues. Many research study also stated that women have lack of knowledge on financial instruments like a research expert Lusardi & Mitchell (2008) stated that women were influenced by low level of financial literacy than men and women have weak financial planning even though they are working at high positions with high educational qualification than men. Hung et.al, (2012) also commented in his research study that women have less financial knowledge while compared with men. And Klatt (2009) also emphasised conveying financial information to women at young age is basic requirement of women financial development. Therefore, the present research work tried to understand the women financial literacy with the various sources of information.

The research article has been organized as follows: first, a detailed review of related literature has been presented showing how financial literacy gets influenced by various demographic characteristics; it then outlines the proposed model and further reports the results obtained from the analysis of the data using different statistical techniques; it concludes with a discussion of the results and limitations of the study.

**Review of literature**

Definition of Financial literacy is provided by Remund (2010, p. 284), in which financial literacy is visualized as 'a measure of the degree to which one understands key financial concepts and possesses the ability and confidence to manage personal finances through appropriate, short term decision making and sound long range financial planning while mindful of life events and changing economic conditions'. Here the study referred various literatures to support the theory and measure the knowledge of financial literacy among the working women. Bhabha et.al (2014) in their research study revealed that women have less knowledge about finance services and product. It is concluded working women only know depositing money into the bank due to their ignorance of investment into the financial market. Bhushan Puneet (2014) measured financial literacy by combining its three probable dimensions i.e. financial knowledge, financial attitude, and financial behaviour. The study

provides evidence of less awareness of respondents towards new financial products. Haque. A. & Zulfiqar. M. (2015) conducted a study on women's economic empowerment through financial literacy, financial attitude, and financial wellbeing. Study found that the financial literacy, financial attitude, and financial wellbeing are significantly & positively related with economic empowerment. Phelomenah et al. (2015) conducted a study on the role of financial literacy on the profitability of women owned enterprises in Kitui Town, kitui Country, Kenya. The result of the study revealed that budgeting, cash management, savings and record keeping significantly influenced profitability of women owned business. Akisimire. R et al. (2015) tried to examine the relationship and effect of microfinance on the entrepreneurial empowerment of women using evidence from the Central and Eastern regions of Uganda in their paper microfinance and entrepreneurial empowerment of women: the Ugandan context. Their study found that microfinance and social capital have a significant relationship with entrepreneurial empowerment. Saha. B. (2016) the result of the study stated that working women have good basic knowledge about risk free investment products, very less basic knowledge about risky investments, credit products are better known among them. Arora. A. (2016) in their study assess the financial literacy among working Indian women. Results of the study show that the general awareness about financial planning tools and techniques among women remains poor even today.

**Objectives of the study**
a)      To analyse the influence of demographic factors on financial literacy of women in Bengaluru city.
b)      To examine the effect of the financial attitude of women on their financial literacy

The paper is organized with a brief review of relevant literature, followed by the research methodology. Then the findings of the study are discussed and concluded by summarizing the key findings and highlighting their implications.

**Proposed Model**
The present study was conducted with the main objective of finding the influence of socio-demographic factors on financial literacy of women in Bengaluru city. The study hypothesizes that the socio-demographic characteristics may not influence the financial literacy. These characteristics are studied through variables comprising age, income, degree, and discipline. The effect of these variables on financial literacy is tested.  The financial literacy includes general knowledge on finance, savings and borrowings, investments, and insurance. On the other hand, the present study also considered influence of parental characteristics and the attitude of women students towards financial planning. The various levels assumed for the study under each of these characteristics is represented with the help of the diagram presented in Figure 1.
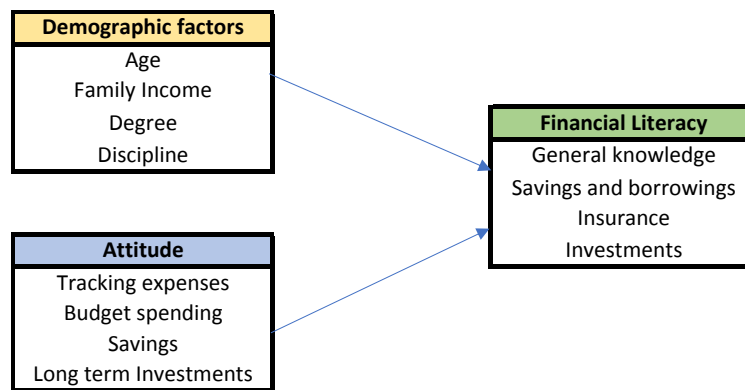
**Figure 1 Conceptual Model for the study**

**Hypotheses**

Based on the literature review and the conceptual model developed by the researcher, this study proposes the following hypotheses:

H1:     Socio-demographic characteristics (age, income, degree, and discipline) do not significantly influence the financial literacy of women.

H2:     Financial attitude of families of women students (track monthly expenses, spend within budget, pay credit card due in time, save money, invest for long terms) do not significantly influence their financial literacy.

These hypotheses will further have been subdivided as to the levels of each characteristics taken for study, i.e., demographic characteristics and financial attitudes.

**Methodology**

The study considers the responses of homemaker, working professionals from various location in Bengaluru. The selection of the respondents assumes that the foundation course on financial literacy is laid down during the college years. The targeted respondents were from disciplines of Science, Arts, Commerce and Business Management. A well-structured questionnaire containing 32 questions was created and a hardcopy of the same was given to 660 students. Out of these, 620 women reverted with their opinions. The analysis is based on these responses.  The collected dated was processed through SPSS v.22 and statistical tools like descriptive statistics and ANOVA were used for analysis.

**Structure of the Questionnaire**

The participants were asked to answer a set of questions on financial literacy consisting of 34 multiple-choice questions which included 23 questions on financial knowledge, 5 questions on demographic and 4 questions on their opinion towards personal financial planning. The questionnaire was divided into three parts. The first part contained questions on socio-demographic factors, namely: age, degree, discipline, family income. The second part comprised of 23 questions on financial literacy, developed by Chenand Volpe (1998). Some

parts of those questions were modified for Indian context. To measure financial literacy, the questionnaire sought to elicit responses on four parameters, namely: (a) general financial knowledge, (b) knowledge on savings and borrowings, (c) insurance planning and (d) investment planning with regard to the concepts of net-worth, overdraft, liquid assets, leasing, lending, credit-worthiness, long-term savings, general insurance, vehicle insurance, life insurance, on-stock market investment, mutual fund investment and long- and short-term investments. The last part contained questions on the respondents' attitude towards financial planning.

Every correct answer was assigned the value of 1 and every wrong answer was assigned the value of 0. Then, the score for every participant in every section as well as his/her total score was calculated. Accordingly, a participant can get maximum 23 1's on financial literacy if his/her response to every question was correct.

**Sample Profile**

The study solicited data from 620 respondents. Around 54 per cent of the respondents belonged to the age group of 18-21 years and 42 per cent of respondents belonged to the age group of 21–23 years. More than 46 per cent of them were in business administration course, and more than 48 per cent were in arts/science/commerce courses and the rest were in other courses. Around 68 per cents of students were from UG courses. Almost two-third (67 per cent) of respondents' families had annual income of up to Rs.5 lakhs, and 21 per cent had annual income of Rs.5 to Rs.10 lakhs.

Regarding financial attitude of the families of the students taken for study, the study revealed that 56 per cent of the families were regularly tracking their monthly expenses, only 15 per cent of families were spending within monthly budget, only 20 per cent of the families had regular saving culture, and 14 per cent of the families had invested in long terms investments.

**Table 1. Socio-demographic Profile**

| Socio-demographic Profile | | | Number of participants | Column Percentage |
|---|---|---|---|---|
| 1 | Age | 18-21 Years | 335 | 54 |
| | | 21-23 Years | 260 | 42 |
| | | Above 23 Years | 25 | 4 |
| 2 | Degree | UG | 422 | 68 |
| | | PG | 198 | 32 |
| 3 | Discipline | Science/Arts/Commerce | 297 | 48 |
| | | Business Administration | 285 | 46 |
| | | Others | 38 | 6 |
| 4 | Family Income | Up to 5 Lakhs | 416 | 67 |
| | | 5-10 Lakhs | 131 | 21 |
| | | 10-15 Lakhs | 49 | 8 |
| | | Above 15 Lakhs | 24 | 4 |

| 5 | Regularly track their monthly expenses | No | | 270 | 44 |
| | | Yes | | 350 | 56 |
| 6 | Spend within their budget | No | | 524 | 85 |
| | | Yes | | 96 | 15 |
| 7 | Regular savings | No | | 496 | 80 |
| | | Yes | | 124 | 20 |
| 8 | Long term investments | No | | 532 | 86 |
| | | Yes | | 88 | 14 |

**Source:** Primary data

**Analysis and Findings**

The overall mean percentage of correct scores is 40 per cent, showing that on an average, the participants answered less than 40 per cent of the questions correctly. (Table 2). The result highlights that women are not adequately knowledgeable about computation of interest and net worth calculation. The scores on individual questions show that most of the respondents scored marginally higher on issues with which they are familiar, like asset liquidity, spending/saving pattern, and personal financial planning. In contrast, they have little experience with most of the investment issues. Regarding the knowledge on Savings & borrowings, the women got enough knowledge on Loan co-sign consequences and Certificate deposit terms. Regarding knowledge on insurance, the women possess only little amount of knowledge on Term insurance characteristics. It was also found that they had moderate amount of knowledge on Investments.

**Table 2. Mean Percentage of Correct Responses to Survey Questions**

| Category | No. of correct answers | Percentage |
|---|---|---|
| **General knowledge** | | |
| Personal finance literacy | 240 | 38.7 |
| Personal financial planning | 256 | 41.0 |
| Asset liquidity | 202 | 51.1 |
| Net worth calculation | 165 | 29.5 |
| Spending/saving pattern | 276 | 44.6 |
| Apartment leasing cost | 123 | 35.3 |
| Computation of interest | 214 | 26.6 |
| **Mean correct responses for the section** | **40.3** | |
| **Savings & borrowings** | | |
| Certificate of deposit terms | 272 | 43.9 |
| Consumer credit report source | 216 | 34.8 |
| Creditworthiness | 198 | 31.9 |
| Loan co-sign consequences | 348 | 56.1 |
| **Mean correct responses for the section** | **43.8** | |
| **Insurance** | | |

| | | |
|---|---|---|
| Auto insurance rate determination | 198 | 31.9 |
| Reason to buy insurance | 206 | 33.2 |
| Health insurance characteristics | 226 | 36.5 |
| Homeowners' insurance characteristics | 224 | 36.1 |
| Term insurance characteristics | 92 | 14.8 |
| **Mean correct responses for the section** | **38.3** | |
| **Investment** | | |
| Interest rate changes and treasury bond price | 260 | 41.9 |
| High risk-return investment suitability | 211 | 34.0 |
| Mutual fund investment characteristics | 302 | 48.7 |
| Return on mutual fund investment | 327 | 52.7 |
| Investment diversification | 198 | 31.9 |
| Retirement benefit of early investment | 267 | 43.1 |
| **Mean correct responses for the section** | **44.9** | |
| **Overall Mean correct responses** | **36.94** | |

Source: Primary data

In order to achieve the first objective of impact of demographic factors on the financial literacy of students, Analysis of Variance technique was used, and the results of the test is displayed in Table 3.

**Table 4 ANOVA Table – Demographic Factors vs. Financial Literacy**

| Source | Sum of Squares | Degrees of freedom | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Age | 563.872 | 2 | 281.936 | 8.714 | .000 |
| Degree | 272.989 | 1 | 272.989 | 8.438 | .004 |
| Discipline | 99.581 | 2 | 49.790 | 1.539 | .225 |
| Family Income | 268.876 | 3 | 89.625 | 2.770 | .046 |

Source: SPSS output

The results of ANOVA test reveal that the significance value for the demographic factors discipline and family income is greater than .01 which verify that the respective hypotheses cannot be rejected and these factors do not have significant impact on the financial literacy of respondents. However, the significance value for the demographic factors age and degree is less than .01 which verify that the respective hypotheses are rejected and hence it is concluded that these factors had a significant effect on financial literacy. The mean financial literacy of the respondents with respective to age and degree is given the Table 5.

**Table 5 Mean Financial Literacy – Age/Degree wise**

| Factor | | Mean Financial Literacy |
|---|---|---|
| Age | Up to 21 years | 33.51 |
| | 21-23 years | 42.38 |
| | Above 23 years | 44.22 |
| Degree | UG | 38.12 |
| | PG | 43.71 |

Source: Primary data

It can be observed from the above table that the age of the respondents have above 23 years attained highest score 44.22 in financial literacy than the other age range of respondents; that is, the financial literacy increases with the age of the women respondents. Further, the respondents who has possess PG degree comparatively higher financial literacy than UG qualification of respondents. It shows education qualification is also a key factor for women financial literacy.

In order to achieve the second objective of impact of family financial attitude on the financial literacy of students, Analysis of Variance technique was used, and the results of the test is displayed in Table 6.

**Table 6 ANOVA Table – Financial Attitude vs. Financial Literacy**

| Attitude | Sum of Squares | Degrees of freedom | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Regular tracking of expenses | 350.824 | 1 | 350.824 | 10.790 | .001 |
| Budget spending | 12.650 | 1 | 12.650 | 0.389 | .544 |
| Regular savings | 781.516 | 1 | 781.516 | 24.036 | .000 |
| Long term investments | 1.954 | 1 | 1.954 | 0.060 | .847 |

Source: Primary data

The results of ANOVA test reveal that the significance value for the attitudes discipline and budget spending and long term investments than .01 which verify that the respective hypotheses cannot be rejected and these attitudes do not have significant impact on the financial literacy of respondents. However, the significance value for the attitudes tracking expenses and regular savings is less than .01 which verify that the respective hypotheses are rejected and hence it is concluded that these attitudes had a significant effect on financial literacy. The mean financial literacy of the respondents with respective to the attitudes tracking expenses and regular savings is given the Table 7.

**Table 7 Mean Financial Literacy vs. Tracking expenses / Regular Savings**

| Attitude | | Financial Literacy |
|---|---|---|
| Regular tracking of monthly expenses | No | 39.18 |
| | Yes | 43.61 |
| Save money each month for future | No | 39.40 |
| | Yes | 45.84 |

Source: Primary data

It can be observed from the above table that the financial literacy of the respondents whose family had the attitude of save money is more than the respondents whose families do not have the habit of tracking their expenses. Further, the result of the analysis revealed that most of the women attitude is higher on savings comparatively with regular tracking of monthly expenses.

**Discussion and conclusion**

In the current situation, the increased complex financial services and products have generated an increasing demand for financial literacy. Based on this, the research of study tried to assess the financial literacy knowledge among women. The study shows that financial literacy of women is measure with their socio demographic factors such as age, gender, education, family income, positive attitude towards financial planning, and factors of financial attitude. The result of the analysis shows that women have age above 23 years attained highest score 44.22 in financial literacy than the other age range of respondents. Mandell (2008) showed that educational background is a key factor for financial literacy of men or women. The present study also observed that there is a significant relationship exists between parents' education and overall financial literacy of women. Hence, the result of the study shows that most of the respondents are secured high educational qualification and have interested to do investment on various sources of finance. On the other hand, study revealed that the attitude of women towards savings and borrowing o is statistically significant than other factors. The study also found that in a family, women income has a significant and it is an impact on the knowledge of women concerning savings–borrowings and financial investment.

**Implications of the Study**

The present study brings out the social and demographic antecedents to financial literacy of women and the findings point to the fact that there is a need to enhance financial literacy at all levels of the society. The necessity to involve among working women, professionals, small entrepreneurs, and home maker are using financial products and manage finances is felt important. There is a need to introduce financial literacy programmes for the low and middle-income group family as well as higher education curriculum. With this, the women who are

ready for employment would also get benefited by having knowledge on planning their finances, investments, and regular tracking of their income.

## Limitation and Future Scope

The study targeted only the Bangalore city. Although the results of this study can be generalized on women on other parts of Karnataka, exclusive studies in different parts of India can bring further insights on the pattern of financial literacy. Further studies can also be done to compare the financial literacy of migrant women worker based on their socio-economic factors and include with the role of attitude in financial literacy using a more rigorous measure could also be investigated.

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