



## **A STUDY ON THE LEVEL OF FINANCIAL LITERACY AMONG HOUSEWIVES IN PALGHAR REGION**

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### **Abstract**

*The International Labour Organization's Global Employment Trends 2013 has reported that out of 131 countries with available data, India ranks 11<sup>th</sup> from the bottom in female labour force participation (ILO, 2013). Majority of the women population in India are housewives. Due to the fall in workforce participation by women in the country and consistent efforts by the Government for financial inclusion, financial literacy among housewives is become the need of the hour. Financial Literacy means the capability to make effective decisions regarding the use of money. To study financial literacy level of housewives, I have conducted a detailed study for which, a questionnaire is presented to the respondents who are categorily chosen women; mostly housewives in Palghar region. The level is assessed keeping in mind the following parameters- financial knowledge, attitude, behavior and perception about personal financial security. The results of the survey show that housewives have low financial knowledge, but a desirable financial behavior. Housewives have a positive attitude towards saving money. The concern area was negative perception of personal financial security.*

**Keywords:** *Financial Literacy, Housewife, Financial Inclusion, Financial behavior, Financial attitude, Personal financial security*



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### **Introduction**

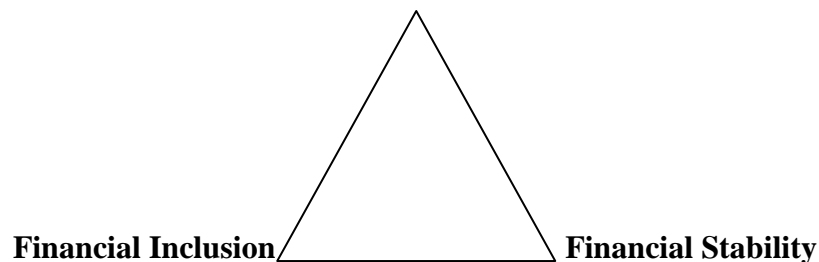
The labour force participation rate of women across all age-groups was 20.8% in rural sector and 12.8% in urban sector compared with 54.8% and 55.6% for men in the rural and urban sectors respectively in 2009-10 (NSS 64th Round). Even today vast populations of women in urban as well as rural India are housewives. In the current situation where the Government is emphasizing on Cashless economy, basic financial education is a must for the masses of the country. A financially literate individual is able to make intellectual judgments and take effective choices regarding the usage and management of money. 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. 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.

Organization for Economic Cooperation and Development demarcated financial literacy as a combination of financial awareness, knowledge, skills, attitude and behaviors necessary to make sound financial decisions and ultimately achieve individual financial wellbeing. Financial Literacy is a vital tool to address the issue of information asymmetry between the financial institutions and the consumers of the services provided by these institutions. It facilitates consumers to know about and utilize the financial products effectively.

**Linkage between Financial Literacy and Financial Inclusion:** Financial literacy, financial inclusion and financial stability are three elements of an integral strategy, as shown in the diagram below. While financial inclusion works from supply side of providing access to various financial services, financial education feeds the demand side by promoting awareness among the people regarding the needs and benefits of financial services offered by banks and other institutions. Going forward, these two strategies promote greater financial stability.

**Financial Literacy (Education)**



Financial Inclusion is one of the top most priorities of the government. For the success of Financial Inclusion initiatives financial literacy is a prerequisite. When people are aware about financial products and market they will be inclined towards them and this in turn will increase financial inclusion.

Financial Literacy not only involves concept but also involves application. The masses should not only be aware of the financial planning concepts but also should be capable to apply them in their daily lives. The investment and financial planning remains a weak point of Indian woman, despite of being highly educated. The need for financial literacy in India has gained importance because of low level of literacy and large section of population which is financially excluded from the formal financial set up.

### **Scope of the study**

This paper focuses on financial literacy level among housewives with reference to Palghar region. This research may aid the companies in bringing out various awareness programs for financial literacy in the above mentioned regions.

### **Objectives**

1. Determine the level of financial literacy of the housewives in Palghar region.
2. To analyze the relationship between financial knowledge and education.
3. To analyze the relationship between financial behavior and work experience.
4. To study the perception of personal financial security among housewives in Palghar region.

### **Research Methodology**

The main source of information for the study is primary, but is supplemented by secondary data as well. A survey using structured questionnaire, including various aspects of financial literacy, was done. The questionnaire was circulated among 70 housewives, out of which 48 responded. The respondents were selected using sampling method. It also collected socio-demographic information of the housewives like, age, education, work experience and place of residence.

**Table 1: Sample Characteristics for the respondents**

<b>Respondent Category</b>	<b>Housewives</b>
Education Level	Primary to Post Graduate
Age	Between 18 to 59 years

Table 1 shows that the education level of the respondents range from primary education to post graduation. It can also be seen that the age group of the respondents range between 18 to 59 years.

The level of financial literacy is measured keeping in mind three parameters- financial knowledge, financial behavior and financial attitude. The perception about personal financial security was also tested from the questionnaire. The questions were selected keeping in mind OECD questionnaire, but with modifications. It included 17 questions overall, most of the questions had sub-parts for assessing the financial knowledge, behavior and attitude. The responses were received only after few reminders.

The discussion on the three parameters of financial literacy i.e., financial knowledge, financial behavior and financial attitude and perception about personal financial security and findings of the survey on these parameters are presented graphically in the next section.

## Data Analysis and Interpretation

### Assessment of Financial Knowledge

First item judged in financial literacy is financial knowledge. It measures knowledge of financial products, how to access them, difference in variants offered, understanding about risk and return, time value of money, portfolio investment etc. Basic money management skills, financial numeracy, persuasion knowledge and self efficacy and basic banking activities are also covered under this dimension.

To test the financial knowledge of the housewives, basic questions about awareness of financial products, interest rates, risk dimensions and basic principles of savings and investment were asked. These questions did not involve any mathematical calculations.

The performance on different dimensions of financial knowledge is shown in Table 2 which suggests inadequate financial knowledge or respondents are unaware of the basic money management principles also in their everyday life. It can be seen that only 50% respondents were aware about the rate of interest offered by the bank. Also only, 29% respondents could understand the concept and need of diversification.

**Table 2: Performance on dimensions of financial knowledge**

Dimensions	Right Answer	Wrong Answer	Don't Know	Total (100%)
<b>Risk</b>	20(42%)	20(42%)	08(17%)	48
<b>Interest Rate for Prevailing Bank account</b>	24(50%)	20(42%)	04(8%)	48
<b>Diversification</b>	14(29%)	22(46%)	12(25%)	48
<b>Rate of Return</b>	18(38%)	24(50%)	06(13%)	48

### Education and Financial Knowledge

Further, the education of women appears to be a significant factor in explaining the financial knowledge of the working housewives. There is a direct relationship between level of education and financial knowledge. With the increase in the level of education, level of financial knowledge has also seen a rise. Table 3 shows that, 65% of respondents, who started working after post graduation, have scored high in financial knowledge. On the other hand results show that housewives having only primary education have performed poorly in financial knowledge. The lack of financial knowledge is severe among women especially with low educational attainment.

**Table 3: Education and Financial Knowledge**

Level of Education	High	Moderate	Low	Total (100%)
<b>Primary</b>	10(42%)	18(42%)	20(17%)	48
<b>Secondary</b>	18(50%)	16(42%)	14(8%)	48
<b>Graduation</b>	26(29%)	13(46%)	09(25%)	48
<b>Post-Graduation</b>	31(38%)	13(50%)	04(13%)	48

**Assessment of Financial Behavior**

Next item judged in financial literacy was financial behavior. It was assessed on the basis of their saving habits, long term planning, purchase of financial services, bank account operations and monitoring of personal finances. For each correct question, a score of one is given and respondents scoring above 5 are grouped as having desirable behavior towards money and finance and the respondents with score below 5 are considered as undesirable financial behavior.

Table 4 shows that 81% respondents have a household budget and 62% manage their personal finances regularly. On the contrary if we talk in terms of operation of bank account and long terms planning only 38% and 20% housewives respectively have shown a desirable behavior. The result also shows that 72% respondents so not prefer to use online banking facilities.

**Table 4: Performance on dimensions of Financial Behavior**

<b>Dimensions</b>	<b>Desirable</b>	<b>Undesirable</b>	<b>Total (100%)</b>
<b>Household Budget</b>	39(81%)	9(19%)	48
<b>Monitoring Personal Finances</b>	30(63%)	18(37%)	48
<b>Operation of Bank Account</b>	18(37%)	30(63%)	48
<b>Long Term Planning</b>	24(50%)	24(50%)	48
<b>Purchase of Financial Services</b>	10(21%)	38(79%)	48
<b>Online Banking</b>	13(28%)	35(72%)	48

***Work Experience and Financial Behavior***

On the basis of the responses, it is observed that previous work experience appears to be a significant factor in explaining the financial knowledge of the housewives. The housewives who have worked previously have a desirable financial behavior. The same is explained in Table 5. It can be observed that out of total respondents 55 housewives have worked previously and 34 (61%) out of the same show a desirable financial behavior. Whereas only 34% housewives with no previous work experience show a desirable behavior.

**Table 5: Work Experience and Financial Behavior**

<b>Dimensions</b>	<b>Worked Previously</b>	<b>Not Worked Previously</b>	<b>Total (100%)</b>
<b>Desirable</b>	34(71%)	14(29%)	48
<b>Undesirable</b>	21(44%)	27(56%)	48

**Assessment of Financial Attitude**

The survey attempts to understand the attitude of the working women towards the aspects of financial planning and decision-making. The questions asked for assessing the financial attitude of women were same as asked in OECD survey and sought responses towards: (i)

extent of belief in planning (ii) tendency to save, and (iii) propensity to consume. It can be seen, in Table 6, that 73% respondents have a positive attitude toward planning. The respondents have performed well in this dimension. Housewives believe in saving money and planning for future. Despite of poor performance in the previous two dimensions, it can be seen that they understand the importance of using money cautiously.

**Table 6: Performance on dimensions of Financial Attitude**

Dimensions	Agree	Disagree	Neutral	Total (100%)
Extent of belief in planning	35(73%)	10(21%)	3(6%)	48
Propensity to Save	33(69%)	09(19%)	06(12%)	48
Propensity to Consume	18(38%)	20(42%)	10(20%)	48

### **Perception about Personal Financial Security**

The study also aims to understand what the housewives perceive in terms of personal financial security. The survey has been conducted among women who are dependent on their spouses, to fulfill their financial needs. I asked the housewives that in case of death of the breadwinner, how long they can fulfill their financial needs without borrowing money or shifting the house. It can be seen from figure 1 that 75% of the respondents could not answer the question, as they were not aware about the financial assets possessed by their spouses. 15% housewives had a fair idea about their financial security. Considering that these women are dependents and not breadwinner, it is a problem area.



**Figure 1: Perception about personal financial security**

### **Inference and Discussion**

The results show that many housewives have positive behavior about money and finance matters, reflecting their prudence, discipline and alertness while dealing with household finances. They are prone towards saving money for future but poor financial knowledge and lack of awareness about investment products proves to be a hindrance for them.

Overall, the analysis shows that the general awareness about financial planning tools, techniques and processes among housewives remains poor even today in the 21st century. It can be attributed to the reasons like poor financial knowledge amongst the women, lack of awareness about financial products etc. Also, their reliance on other family members, especially on male for finance related matters could be another reason for their non-involvement in investment decisions. The positive side in the results is the positive attitude and behavior of women towards finance matters. If we have to score high on financial literacy survey, we need to get better with the financial knowledge results of the housewives. The recent move of demonetization has brought to surface that our country is cash rich economy and large volume of money is found in households than in the financial instruments. Housewives in many parts of the country still believe in investing in the unorganized markets. The housewives have shown an undesirable behavior towards online banking even after the move of demonetization; it can be a hurdle towards cashless economy. These facts make it imperative that, housewives should be imparted with basic financial knowledge. 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 financial literacy programs should be specifically designed for women addressing their financial and educational needs. These programs can focus on contents such as savings and expenditure management, insurance and retirement planning, credit and debt management, investment products, risk management, financial market environment and financial decision-making. Lastly, the results could be subject to the biasness of respondents while filling the questionnaire as the findings are based on their self-reported behavior and attitude. Also, there can be many other factors like education of family, quality of education, self-confidence of a woman which influences the financial literacy level of the women which can be considered in future studies. There is a need to examine the financial literacy level of the women on the country level. It is possible that results may differ if the same survey is conducted among working women and in metropolitan cities as people there are more cautious about their future investments and financial planning. This study is a beginning towards this direction which will promote further research in this area.

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