



## **Significance of Financial Literacy in Women: *Problems and Prospects***

**Nitish Singhal<sup>1</sup>, Dr Anuj Goel<sup>2</sup>**

<sup>1</sup>Research Scholar, NICE School of Business Studies, Shobhit Institute of Engineering & Technology, Deemed to- be- University, Meerut

<sup>2</sup>Professor, NICE School of Business Studies, Shobhit Institute of Engineering & Technology, Deemed to- be- University, Meerut

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### **ABSTRACT:**

The lower level of financial literacy is one of the greatest concerns for Indian women ever. Financial literacy refers to gaining appropriate financial knowledge and performing desirable financial behaviors to improve financial well-being. A financially literate individual is able to manage their personal finances in a very efficient and effective way. Women population in India contributes approximately half of the total population but unfortunately, the majority of women in India struggle with financial literacy. Covid-19 taught us many things. Many people got unemployed and it was then people realized the importance of savings and investments. Especially, women had faced a lot of financial problems of personal family finance and household management due to lack of financial knowledge, attitude and behaviors. Although women's are proved their capabilities in different areas but they lag far behind concerning financial inclusion and literacy rates as compared to men. For this it is required to work towards enlightening women about financial literacy. Financial Literacy holds the key to empowering women which leads to financial inclusion and to bring gender equality in society. Hence, the need arises to understand in detail the issues of financial literacy among women in India. This paper is an attempt in this direction. It has been observed that many Indian women are facing several physical, financial, cultural and psychological barriers that create hindrances in becoming financially literate. The government and different agencies are taking initiative to improve the situation, yet more steps are required to bridge the gap of financial literacy level of men and women. Once half of the Indian population becomes financially literate and independent, India would stand gradually from developing India to developed India.

**Key words:** Financial Literacy, Financial Inclusion, Financial Behavior, Women Empowerment, Gender equality.

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### **Introduction**

In recent world, the integrated global financial market as well as different changing financial objectives has forced the individuals to manage their own finances and secure their financial future. It is worth more important to understand the world of finance so as to make better choices to suit their financial goals and needs. Although financial decisions are very complex but understanding of risk, returns, market scenario, regulatory framework etc., make it easy. In other words, financial literacy helps in one's financial planning. According to NISM, "financial planning is the process of meeting one's life goals through the proper management of personal finances." As far as financial literacy is concerned, according to OECD/INFE, "a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing." It may also be defined as "process of gaining financial knowledge to manage personal financial wellbeing." It includes the awareness about financial products and market information which build financial confidence to make proper financial decision.

The ability to plan their financial resources differ person to person. There are several factors which affect financial literacy among the individuals especially, one such factor is 'Gender'. More studies are available in various countries on gender differences. It is generally observed that woman perform worse than men in the test of financial knowledge and have less confidence in their financial skills (OECD, 2013).

In India, it has always been debatable about the women's position in society, their status, education, health, financial position gender equality, etc. In recent years women have slowly start recognizing her potential in the field of entertainment, sports, politics, literature, etc. yet they are lagging behind than men in certain areas especially 'Personal Financial Planning'. Women generally feels comfortable to manage their small savings and household expenses but not for large amount, long term finances, investment, etc. The main reason for all such issue is the lack of financial knowledge among women. NCFE clearly exhibit in its survey that the women financial literacy in India is quite low which requires special attention (Dwivedi et al, 2015).

Although, women are acquiring financial knowledge still a huge gap persists in India so far as financial literacy is concerned. This study is an attempt to address the challenges faced by the women in acquiring financial knowledge and measures for boosting up the financial literacy among women in India. This study expects to contribute in the literature through understanding of the whole scenario of women financial literacy in India.

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## LITERATURE REVIEW

A relatively broad range of empirical literature available on gender differences in financial literacy in various countries. Out of these, India has also conducted few empirical studies. The report of NCFE on financial literacy and financial inclusion in India on the basis of gender mix, occupation and geographical area had analysed by Dwivedi et al. (2015). He found that urban population is more financially literate than rural population and also men are more financially literate than women. Also, according to Chetan Singh and Rajkumar (2017) women play an important role in the development of the economy but women are less literate than men.

According to Garima Baluja (2016) the economic growth and development of nation are highly influenced by the financial decision taken by individuals but gender differences is very much problematic. Agrawal (1998) observed that the decision making power of women in India in economic field lies in the hand of their husbands irrespective of the wives' income, education and profession. Singh (2004) as well as Balsary (2004) support working women are more aware of the type of investment instrument and take better investment decisions than non-working women.

Venkatraman (2004) compared the psychology of women investors with men and found that although women like to get the maximum returns but most of them make secret savings and invested in gold, jewelry. However, Agrawal (2010) observed that women do not possess the requisite skills to make successful investment and financial decisions which needs the financial literacy.

A Study found that financial literacy of marginalized rural women is very low, Mathivathani and Velumani (2014). This study is conducted to know the level of financial literacy among rural areas of Tamil Nadu. Hence, the financial literacy would help the women to take financial decision and access financial products and market.

In nutshell, the level of financial literacy among women in India is much low and need special attention. Therefore research efforts in this area are necessarily required to enrich the literature.

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## RATIONALE OF THE STUDY

Although few studies have been conducted in India to determine the difference in the level of financial literacy of men and women still a huge gap persist in the literature. Different studies have largely focused on differences in financial literacy of men and women in India, however what factors affect such differences have not been extensively explored. The govt. of India has taken initiative to improve the situation but different other measures for boosting up the financial literacy level also need to be analyzed. Therefore this study tries to explore the problem and prospect of financial literacy among women in India.

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## OBJECTIVES OF THE STUDY

- To study the issues and challenges of women financial literacy in India.
- To explore and analyses measures for boosting women financial literacy in India.

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## Factors responsible for women financial literacy in India

A number of factors influenced financial literacy among women in India. Out of that some prominent factors are discussed as here under :

**Lower level of Income:** Majority of Indian women do not work to earn money. They do not possess active money as well as passive money. Moreover, they are depended on their father or husband for financial support. This also creates hurdle to make their own choices concerning personal family finances.

**Lack of higher Education:** The basic literacy level of women is quite low especially higher education. Many cultures and communities do not support women seeking or pursuing higher education. The lack of higher education and computer literacy is another reason of low level of financial literacy.

**More Dependency:** In India, women are not as independent as men. Women are not given the freedom to manage their finances independently. All major financial decisions are taken with consultation of male counterpart. Therefore, such financial decisions are not taken on their own merit but influenced by family members. Women sacrifice their financial independence to keep peace in their family and often spend less amount of money on their own needs and wants.

**Cultural Hurdle and Expectations:** This is one of the obstacles in spreading financial education among women. In some societies, women are not allowed to take part in financial matters of the family. Traditionally, men take control of financial affairs whereas women take care of house responsibilities. As a result of this, they lose their confidence and are restrains to learn about personal finances.

**Inadequate Women Centric Financial Initiatives:** The majority of banks offers generic financial services and not develop innovative scheme or services for women specific. Also, due to such prerequisites to use these services restricts the women to participate in financial decisions. Product and services which only focus to business rather the women household also work as hurdle in women financial literacy.

**Problems of Accessibility:** There are Lack of financial institutions and its penetration in India. Therefore, it is very difficult to access the banking system due to transportation, cost and time related problems. Women in rural areas are mostly the ones who have to deal with this.

**Lack of Message, Messenger And Material:** Many financial institutions advertise their services via main stream media and billboards. Absence of message, messenger and material creates a hindrance in becoming financially aware. Lack of financial awareness and knowledge forced women to depend on their spouse/family for investment and financial planning.

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### Initiatives for boosting women financial literacy in India

Financial literacy can play an important role in women empowerment. In order to boost up the financial literacy, the government of India has taken many initiative like establishment of Financial Literacy and Credit Counselling Centres (FLCC), National Centre for Financial Education (NCFE), Beti Bachao Beti Padhao Yojana etc. Though the government of India has taken all such initiatives to make women economically empowered and financial independent across the nation, yet there are several challenges faced by Indian women to acquire financial education.

Therefore, following measures are suggested to improve the women financial literacy level in India:-

**Training Programme:** Training is a powerful tool that should be used to inculcate the life long learning habit of financial terms among the women. Training programmes should design in such a way which encourage women to participate in it. It is also important to organize training programme periodically to make them more confident and competent in handling their financial matters.

**Advocate Independent Bank Account:** Generally in India, bank account of women are not opened and if opened, open in joint mode whether working or non-working. This independent bank account may encourage them to learn basics of finances. Pradhan Mantri Jan Dhan Yojana had already gain importance in this.

**Financial Awareness and Education:** Understanding and awareness about financial plans and product may encourage them to learn skills of budgeting, savings investing, debt management, other financial services. Therefore, financial education programmes should focus particularly on important life-planning aspects, such as basic savings, debt, insurance and pensions (Das, 2007). They must educate the power of compounding.

**Banking Business Correspondents:** Distance is another factor in limiting the reach of financial institutions. To deal with this, banks, post offices, insurance companies etc. must appoint banking business correspondingly and open their branches in the reach of women in India.

**Digital Delivery of Financial Education:** Women financial literacy can be greatly improved through the use of information, and communication technologies. Access to financial education and information has improved through mobile technologies and apps. The dissemination of financial literacy can be aided by use of media outlets including television, and internet.

**Cultural Change:** The male dominated culture is the primary hindrance/hurdle for women literacy. Women in India is supposed to be the home maker only and are not given financial independence to participate in financial affairs. Hence, cultural change is required to ensure more financial literacy among women in India.

**More Attractive Financial Services to Women:** If more attractive financial services will be made available to women like- low rate of interest on loan, high rate of interest on deposits, tax concession etc. they would enticed to participate in financial activities. Many financial institutions offers such benefits but they one not sufficient. Women need to have the opportunity to seek out and use financial information if they are to improve their financial literacy (Mathivathani and Velumani, 2014). Hence, effort must be made by government as well as private financial agencies to offer more benefits to women which would encourage them to be more financial literate.

**Increasing the Income Level of Women:** In India, most of the women are home maker. They are hardly earned to think about saving and investing. If women should start job, ventures and businesses, their income would increase and they would automatically learn the mantra of financial literacy. Hence, government should focus on more involvement of women in employment and business.

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### Conclusion

As the government of India is putting their best effort towards financial inclusion in the country, we as a human being has to play equally an important role to aware the vulnerable sections of society. Financial inclusion is the road for India to becoming a global player. This road passes through financial literacy. Financial literacy is subject to gender differences. A lots of studies are available on gender differences in the financial literacy across the globe but studies on financial literacy are quite scarce. This study tries to address the issues of financial literacy among women in India. The women of India are lagging behind financial literacy due to physical, cultural, psychological, technological and financial barriers. Hence, it is important to create more awareness and initiate financial literacy programs to educate Indian women. This will facilitate the path of developing India to developed India.

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