



## FINANCIAL LITERACY AND ITS EFFECT ON BANKING BEHAVIOUR OF WOMEN IN COCHIN CITY.

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### **Abstract**

*With the historic move of demonetisation, India is moving towards a cashless era where talk of these days is of plastic money and e-money. The move created chaos as still in India, there are people who are unbanked, under banked and who remain outside the financial system voluntarily or otherwise of which majority are women. But in this era of changing role of women even as the bread winner places her in a responsible position. Women's financial inclusion and financial literacy can make women economically empowered. This paper focuses on the financial literacy level of women as it is important for the financial wellbeing because they affect the ability to make resourceful financial transactions, wealth holdings, savings behaviour and preparedness for future. The study draws to analyse how the internal capacity to take financial decisions [psychological factors like attitude] and external conditions [socio-economic] and the level of financial literacy effect the banking behaviour through a structured questionnaire circulated to a sample size of 200 women. The result of this study is envisioned to provide policy makers, financial institutions insight into the existing level of financial literacy and the banking behaviour thereby showcasing the role of these in enhancing the outcome of financial inclusion and development of a stable financial system.*

**Key Words:** *Financial Literacy, Demonetisation, Financial Inclusion, Financial Wellbeing, Financial System, Economic Empowerment.*

### **Introduction**

The recent inclination in finance and digitalisation made financial literacy and inclusion an essential survival tool as the exclusion and illiteracy leads to undesired economic consequences to individuals, policy makers and financial institutions thereby hindering the financial system and entire economy. The latest progresses in banking tools have transmuted banking from the outmoded infrastructure like staffed branches to a system enhanced by other channels like automated teller machines (ATM), credit/debit cards, online money transaction, internet banking, etc. The unsettled point, still, is that access to such technology is circumscribed only to certain segments of the society. Voluminous research and reports shows that still many does not have access into the formal financial system in India. The financial exclusion or the non-participation in the main stream financial system with regard to accessing and using certain financial services comes with impending dangers and the lead cause for which is financial literacy.

In India majority of women are employed in various sectors and still are denied to opportunities and rights due to their financial dependence. To make women empowered initially they need to get financial autonomy which in turn depends on financial literacy and inclusion. Greater educational attainment doesn't mean that they have high level of financial literacy. Women world over are less confident of their financial skills than men; their working knowledge of their financial portfolios are limited (Landers, 2014). This is particularly factual in the case of married women. Although many women earn they are not furnished enough with the proper skills when it comes to household money management possibly due to their inherent lack of confidence imposed by years of gender stereotyping.

There are studies which have highlighted how lower female labor force participation drags down economic growth, and that empowering women has significant economic benefits in addition to promoting gender equality (Duflo 2005; World Bank 2012). 'Economic empowerment is about making markets work for women (at the policy level) and empowering women to compete in markets (at the agency level)' (World Bank 2006: p.4) The World Economic Forum's 2014 *Global Gender Gap Report* indicated a positive correlation between gender equality and per capita GDP, the level of competitiveness, and human development indicators. Similarly, work by Goldin (1995) explored the U-shaped relationship between female labor supply and the level of economic development across countries. Women's empowerment is seen as a "prerequisite for sustainable development pro-poor growth and the achievement of all the Millennium Development Goals" (Gedernet 2011).

### **Review of Literature**

Different studies have exposed the importance of financial literacy for household's wellbeing and ultimately economic stability. Raghavan Guruswami (2010) articulate the importance of financial literacy for functioning in matured economies. The trends indicated in work patterns, demography and service delivery propose the importance in the years at the forefront. Enhancements of financial literacy can not only sustain social inclusion but also enhance the contribution to the economy as a whole. Financial illiteracy leads to financial exclusion, financial exploitation and financial discrimination.



Vasagadekar (2014) in her paper has stated that since the last 10 to 15 years, the status of women is changing and in all sorts of fields, women are working efficiently and enthusiastically along with men. In the metro cities, the percentage of working women is more and Pune is getting transformed into metros. In her paper she has tried to study about the awareness level of women investors in Pune and found that majority are properly aware about investment but not ready for risky avenues as the study shows that majority are still keeping money in bank and post office deposits.

Pratima Trivedi and Saumya Trivedi (2014) have stated that the status of financial literacy is not satisfactory in India. Especially in rural areas, people are not aware of financial products and services. In rural areas, people keep their savings in their homes which fetches them no interest and are risky also on account of theft. They borrow from local money lenders who charge very high interest rates. The paper tries to find out level of financial literacy in India and the steps initiated by different authorities for making population financially literate.

Iqbal BhabhaJaved, Khan Shadiullah et.al. (2010) explored the financial literacy of working women as an important factor which affects the saving-investment behavior of female workforce in developing countries like Pakistan. The researchers had used hermeneutics, discourse and heuristic analyses to find the fact about the research questions. A computer based software was also used i.e. ATLAS for data analysis. The researcher found that financial literacy is of particular relevance to emerging economies. As these economies endeavor to improve the financial situation of their citizens by achieving higher economic growth rates, enhancement of financial literacy would help improve the financial well-being of their people even further through sound financial decision making. It was concluded that working-women in Pakistan are financially illiterate; female workers in Pakistan only know that they are depositing money in various institutions in order to get more wealth in name of profit but they don't know what exactly they are doing and they are ignorant about the functions and existence of financial markets.

Financial attitude is linked with financial knowledge (shim et al.,2009). Financially literate women can take right decisions for household wellbeing and is subjective to satisfaction and will feel empowered and independent. They are able to channelize their savings for creating wealth by participating in the formal financial system. This will increase the demand for the financial products and services productively by less commitment of mistakes and thereby increase their level of confidence.

### **Statement of the Problem**

Financial literacy enrichment strategies and programmes are being initiated across many countries. Research around the world reports shows low level of financial literacy which have crucial knock on financial fineness and wellbeing. There are evidences which stress individuals under save, fail to invest wisely and often indebted [Mitchell 2011, Poterbaet al.2007]. Financial illiteracy is widespread & serves as among certain demographic groups including women [Census 2000]. Females, unemployed & other non-working persons have a larger possibility of low level of financial literacy [Worthington 2006; Evans 2009].

The lack of financial literacy and money management knowledge hinders a women's ability to select appropriate investment products [Glass 1998]. Financial literacy of women also diverges among age groups in that elder women tended more likely to have less financial literacy scores [Lusardi & Mitchell, 2008].

Women's spending priorities differ from men's with women notably more likely to buy goods and services that improve the family's welfare. As women gain decision making power, household spending patterns are likely to shift. Household savings are likely to rise. This has attracted the attention of various research groups in different disciplines world over focusing on divergent areas in financial literacy. But there is less research which is focused on women who are employed. Apart from the fact that they are an earning member for their family, they are still financially dominated by the male members as a reason of their own averseness towards money management or else of other reasons. Increasing complexities in economic situations coupled with increasing cost of living and long life compared to men, women are less prepared even for their own retirement.

Despite Kerala's higher human development and gender development index, there is still an entrenched patriarchy and reduced space for women's participation in financial matters. Kerala is the only state which has a population of females in excess of the population of males with female literacy rate of 92.07% [Census 2011]. The share of female employees in the organised sector in Kerala was 39.9% in 2010 and in private sector 50.6%. In the face of sky-scraping percentage of highly 'qualified' or 'educated' women, there is relatively little space for women in economically empowered roles and fewer articulate voices in their money management matters in life.



There is less research being done on assessing financial literacy level of women especially in the state like Kerala. Further studies are needed to know the financial wellness of women and bridge the gap created by the existing studies. In this context, the present study would be a pioneer in the area of measuring the level of financial literacy of women in Cochin and how even though they are paid salary through banks, their savings are less, knowledge and use of financial products and services are low. Thus in the state where literacy rate is high and gender disparity is lower, there are still working women who are unbanked & underbanked.

### Objectives

1. To determine the existing level of financial literacy of women in Kerala.
2. To identify the factors influencing the Financial Literacy of women in Kerala.
3. To analyse the effect of financial literacy on banking behaviour.

### Methodology

For this descriptive study the targeted population will be women in Cochin. Primary Data is intended to be collected totalling up to a sample of 200 using questionnaire in print or through online as well. A pretested interview schedule will be used to collect primary data. Secondary data are intended to be sourced from various journals, online magazines, reference books and various websites. The variables of financial literacy are selected on the basis of OECD framework along with additional variables possibly related to the self -assessment of financial literacy and banking behaviour to know the perceived level of financial preparedness.

### Limitations

1. The study will cover only the women domiciled in Cochin City.
2. There are yet other limitations which are confined to the statistical tools and inferences.

### Results and Discussions

#### Demographic and Socio-Economic details of the respondents.

A total of 200 women took this survey. 21% of them were aged below 30, 37% fall in the age category of 31-40, another 28% in the category of 41-50 and 14% were of 51-60 category. Majority of the respondents, 61% of them are employed in private sector, 31% of them in government service whereas only 8% are entrepreneurs.

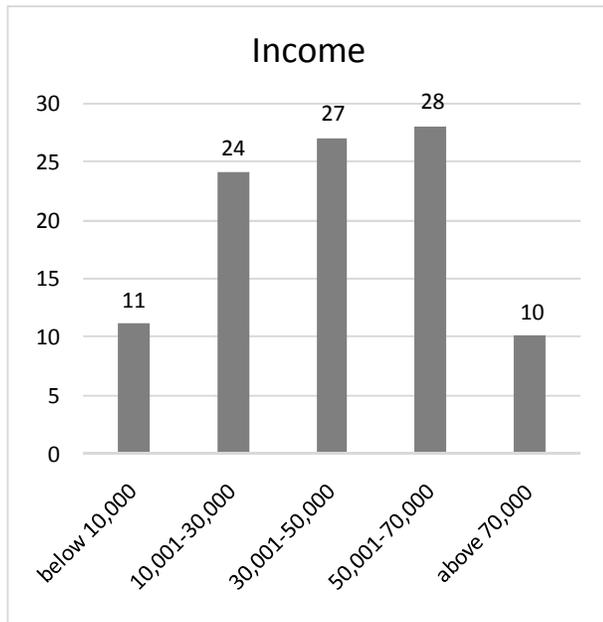


Chart 1: Respondents based on income  
Source: Primary Data [Figures in percentage]

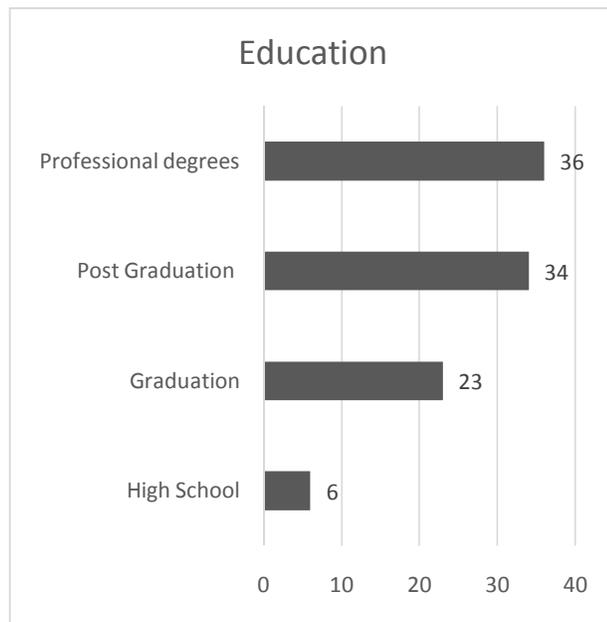
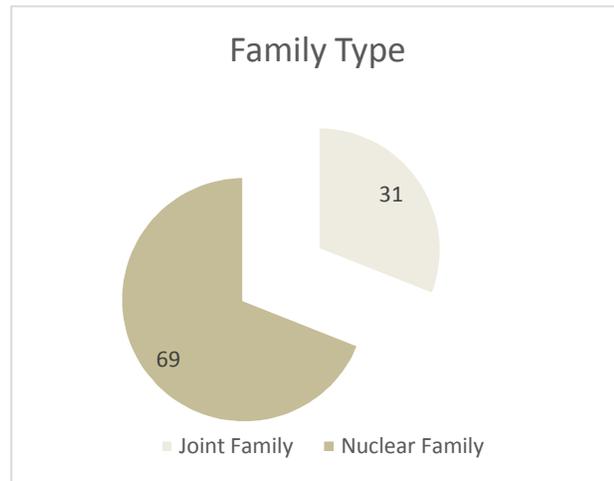
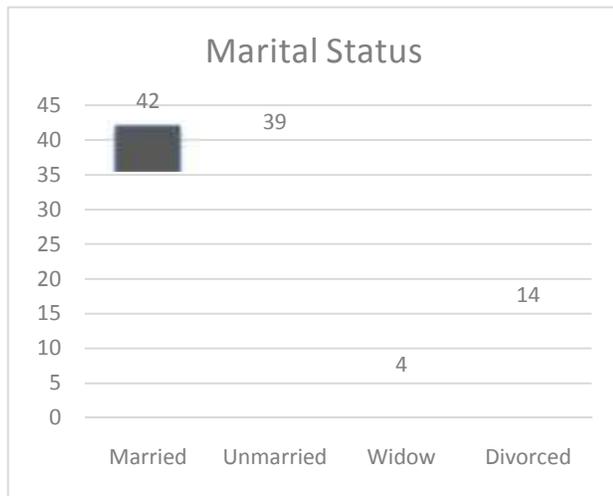


Chart 2: Respondents based on Education



**Chart 3: Respondents based on Marital Status**

**Chart4: Respondents based on Family type**

*Source: Primary Data [Figures in percentage]*

The survey revealed that substantial percentage of women only has a salary account which was created for payment of salary. When asked about multiple accounts respondents falling in the age group of 41-50 answered favourably. Within the respondents having bank account, 61% affirms that they do not control the movements and check balances. 78% of the women who were married disclosed that their spouse were handling all the money. Out of the Unmarried/divorced/Single women their parents were taking care of their financial needs. Only 27% of the respondents did manage household financial needs alone. Out of the total respondents only 34% were confident enough to do banking transactions. 29% of the total respondents have never used ATM cards on their own. Nearly 21% of people used online banking, only 14% use mobile apps to do banking. While paying for goods and services online was more common amongst women aged under 30 (62%). 93% of the respondents doesn't have a credit card. The rest of the respondents who hold make payments before the due date. Less than 39% of the respondents in the age above 40 took loans for their own purpose like buying vehicles. . But most of them have housing loans. 43% of them have fixed deposits, 12% have invested in shares, 64% in LIC and 32% in mutual funds. But 79% of the respondents who are married does not allocate or take part in decisions on investments. To the question on income tax filing of returns, most of them depend on their spouse or financial advisors. 62% of them who fall in the age category of above 40, still ask their spouse for daily expenses even when they are earning. Majority of the respondents have not done any financial planning for their life after retirements. Only 41% of the total respondents are aware about the government initiatives for the up liften of women.

Those who were married showed less financial literacy as the mean score was very low when compared with the divorced. The unmarried aged below 30 years was unrestrained spenders. 57% considered themselves as novice in budgeting their activities. 52% of the married women were confident in budgeting capabilities. Those belonging to nuclear family was more competent in financial planning as most of them answered correctly leading to a score of 5 and above. As the income increases, the level of knowledge in financial matters showed a significant increase. Nevertheless overall financial literacy of women is comparatively low. As younger women are more empowered, women below 35 years who have an income above 50,000 and are educated scored more in financial behaviour and showed favourable attitude in managing money. Single/unmarried or divorced women are more involved in decision making or is able to handle financial matters alone even though a small percentage still depend on their parents for decision making especially in case of investments.

### Conclusions

The purpose of the study was to assess the level of financial literacy among women and their banking behaviour. When it comes to using and managing money, financial literacy and inclusion is still an issue with regard to women in Cochin. Even though women can be seen employed and educated they face a range of challenges. Most women are not confident enough to take up financial responsibilities. They are less confident in understanding financial languages and cannot recognise scams or service related information and clause. They are less likely to invest in shares, mutual funds etc. Even though most salaried women are banked, the use and availing of banking services are less. Lack of personal interest and greater dependency on spouse are the major constrain. There are still women who believe that money management is the duty of the men or head of the family.



Women are now bread winners for most of the family. The participation of women in the economy would enhance their economic wellbeing and will contribute towards the growth of the nation. Channelizing their small savings towards the financial system depends on the awareness, knowledge, attitude and behaviour so as to create wealth and for planning their retirement. Thus financial literacy level should be improved through education from the schools and colleges. Curriculums must be revised to create space for hand on experience rather than just theory. Family orientation is also necessary. Policy makers, government and financial institutions should come forward creating awareness programmes and in bringing women in the mainstream.

Women tend to live long and depend on their children during their old age, which creates problems for them as they struggle to finance their daily needs and health care. When they are economically empowered, they can live life confidently and independently.

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