

LEVEL OF FINANCIAL LITERACY AND ITS ASSOCIATION WITH THE SOCIO-ECONOMIC VARIABLES OF WOMEN'S IN INDORE DIVISION

Chandra Bhooshan Singh¹, Satvik Jain², Rakshak Bharti³, Kasturi Pomal⁴, Urvija khatri⁵, Dharana Agrawal⁶

^{1,2,3,4,5,6} Faculty of Commerce and Management, Kalinga University, Atal Nagar-Nava Raipur, Chhattisgarh 492101

Corresponding Author Email: cbsingh631995@gmail.com

Abstract:

With the deregulation and globalisation of the financial markets, financial literacy is becoming more and more crucial. There are more investing alternatives as a result of better access to credit cards and personal loans. One study found that Indians make good savers but poor investors. Although the nation's saving rate is increasing year after year, growing consumption costs and a change in lifestyle have led to rising personal and household debt. Investor savings are insufficient in nations like India, where the government offers almost no social security, to cover expenses and maintain a similar standard of living after retirement. Despite the fact that investors have access to a wide range of diverse investment possibilities, this can be explained in one of several ways. Investors' financial security is put at risk as a result. Investors must therefore be able to handle their money wisely while keeping in mind their own financial aims and goals. They also need to be more educated about the economic factors that influence their financial decisions, as well as the financial market and all of its numerous components.

Keywords: Financial Literacy, Socio-economic variables, Indore Division

1. Introduction: In India, men are virtually invariably the household's principal earner while women are typically the household's primary spender. Since they were viewed as the world's ideal homemaker, who was only expected to conduct housekeeping and raise the family, women's status used to be lower than men's. Despite their superior status in literature, they are preached under many names such as Goddess Kali, Goddess Saraswati, and Goddess Durga. They were always influenced by their parents before marriage and by their husband after; their condition hasn't changed much in modern times. On the other side, things have started to change for women lately. In addition to rights and liberties like equality and the freedom of expression, women now have access to education. During this period, women performed a broad range of significant roles. Domestic violence, dowries, and sex-selective abortion are still issues, though.

The government has taken a number of actions to empower women. The government created the Ministry for Women and Child Development in 1985 as a branch of the Ministry of Human Resource Development, and in 2006 it was elevated to the rank of ministry. This was carried out to guarantee the full development of women and children throughout the country. The ministry is responsible for overseeing, supervising, and coordinating the work of governmental and non-governmental organizations working to empower women in addition to creating

programs, policies, and strategies. The Swayamsidha Program, an all-inclusive plan for women's empowerment, is also being implemented by the ministry. Its main goal is to form women's self-help groups, which will help women gain increased access to resources that they are typically denied, as well as increase their awareness and skills, which will empower them. Even while women now have more access to financial services than they had even a decade ago, there are still circumstances in which these benefits fall short of completely enabling women to take use of them. The issue is similar when it comes to financial literacy. In practically every country, there is a gender gap in financial literacy. 65% of men and 70% of women worldwide lack financial literacy, representing a five-point gender disparity. In India, where 80% of women and 73% of men lack financial literacy, the disparity is far more pronounced. (S&P survey, 2015).

2. Meaning of Financial Literacy: The cognitive understanding of financial ideas and abilities, such as budgeting, borrowing, investing, and personal financial management, is referred to as financial literacy. Being financially illiterate means not having these abilities. Financial literacy is the understanding and knowledge of a wide range of financial issues, such as investment, money, and personal finance. Financial literacy includes the ability to manage personal budgets, making prudent financial decisions, such as investing, purchasing or investing in real estate, funding one's children's education, and setting money aside for the future. It also has to do with their understanding of managing debt, prudent money management, saving and spending, and simple and compound interest computations. A person's capacity to manage their finances may be harmed by poor financial decisions brought on by financial illiteracy. People may increase their level of financial literacy by learning about various financial ideas, financial markets, and financial instruments including stocks, bonds, and mutual funds. After that, they may make well-informed choices to strengthen their financial position and stay out of financial instability. A mix of awareness, attitude, and product and service knowledge about finance is needed to make smart financial decisions. Financial literacy is the understanding of financial products. The two main markers of financial literacy are an individual's ability to effectively manage finances for the growth and well-being of their business, their family, and themselves.

3. Statement of the problem: Women face a number of barriers that hinder them from receiving financial education, despite the government's efforts to increase financial literacy nationwide. Women are more likely to respond they "don't know," but they are also less likely than males to provide accurate responses to questions about financial literacy. While many women defer to their husbands, fathers, brothers, and other male relatives, believing them to be financial experts, when it comes to making major financial decisions, women are proficient at budgeting and managing household money. The basics of money management are less familiar to women. Most of the time, they leave everything to their wives, not realising the challenges that may arise in the event of a widowhood, divorce, or disability of their spouse. Every woman should have a basic understanding of finance in order to conduct her life according to her own preferences and make more wise financial decisions that will benefit her family's general well-being and profitability. This study's objective was to give a general

picture of women's financial literacy and understanding of financial planning in the Indore Division. The conclusions of past studies as well as countless data and figures served as the foundation for this study.

4. Review of Literature:

In a rapidly growing body of literature on the causal impacts of financial education programs, researchers reviewed 76 randomised trials with a total sample size of over 160,000 persons in a meta-analysis. According to the research, financial education programs positively influence financial knowledge and ensuing financial behaviors. The treatment effects are at least three times bigger than the average impact reported in previous studies and equivalent to those obtained by educational interventions in other domains. These results were obtained utilizing a methodology that took publication selection bias in the literature into account and limited the sample to works published in reputable economics journals, including only studies with sufficient power. They arrived at a decision after discussing the cost-effectiveness of financial education programmes (Kaiser et al., 2020). Financial literacy can help women become independent and give them the courage to advocate for themselves. They stated that in order to acquire money and protect their futures, women should be taught not only financial terms and concepts but also how to make investments. (Arora et al., 2018). Indians were discovered to be among the people with the lowest financial literacy among the 28 nations examined. Due to a lack of household budgets, family discussions about money management, financial education, and a general lack of understanding of money management principles, Indians did poorly in this study. (Visa Financial Literacy Survey, 2017). Financial literacy of working Indian women was surveyed. Only 444 out of 700 working women in Rajasthan's metropolitan areas answered to the study, which aimed to examine women's financial literacy. The study's findings indicate that women have fared better in terms of financial attitude and behaviour than in terms of financial comprehension, and that women's general awareness of financial planning tools and approaches is still poor in the twenty-first century. Three variables were examined in the study: financial behaviour, financial attitude, and financial knowledge. (Arora, 2016). The poll indicates how financially literate Tamilnadu women living in rural areas are. According to the study, marginalised rural women's financial literacy was found to be quite low. Therefore, appropriate financial literacy development will help women use financial services and products and make better financial decisions. (Mathivathani & Velumani 2014). Finding out the degree of financial literacy among Mumbai women was the aim of the study. The study made an effort to gauge how well women understood various investment-related financial instruments. As a result, Mumbai women were given a structured questionnaire to assess their level of financial literacy. The study's conclusions showed that even though most Indian women have some financial security, they are still financially uneducated. A closer look at the study reveals that there are relatively few real-world instances of women actively participating in family decision-making in Indian society. (D'Silva et al 2012) Women who lack financial literacy and are therefore more financially disadvantaged. His and other studies' findings indicate that women need to pay more attention to financial literacy because they are more likely to experience financial instability and reliance throughout their lifetimes. (Lusardi and Mitchell, 2008)

5. Research Question:

RQ-1 What is the level of financial literacy among women in Indore Division?

RQ-2 Is there a link between socioeconomic characteristics and women's financial literacy in the Indore division?

6. Objectives of the Study:

- 1) To determine the level of financial literacy among Indore division women.
- 2) To investigate the relationship between socioeconomic characteristics and financial literacy among Indore division women.

7. Hypothesis of the Study:

The following are the study's guiding hypotheses:

H₀₁: There is no significant association between socio economic variables and Financial Knowledge of women's in Indore division.

8. Research Methodology: The most effective strategy for achieving the aforementioned objectives was the descriptive research design. Information obtained by a researcher with a specific objective in mind is known as primary data. Using a conventional questionnaire, the study's primary data was collected. Individual questionnaires were filled up by respondents. A useful sampling method was applied. The women in the Indore Division (over the age of 18) were considered a population for this study because the survey was carried out in the Indore Division of Madhya Pradesh. The Madhya Pradesh state of India is divided geographically into the Indore division and Indore division. Indore serves as the division's administrative centre. The districts that make up the division are Indore, Barwani, Burhanpur, Dhar, Jhabua, Khandwa, Khargone, and Alirajpur. The whole population of Indore.

Table-1
Women Population in eight district - Indore Division

S.No.	District	Population	Number of Woman
1	Indore	3276697	1577070
2	Barwani	1385881	686541
3	Burhanpur	757847	369343
4	Dhar	2185793	1073068
5	Jhabua	1025048	510025
6	Khandwa	1310061	635732
7	Khargone	1873046	919925
8	Alirajpur	728999	366457
Total			6138161

(As per census, 2011)

Between 2019 and 2021, the survey was carried out. Using the Yamane, 1967 formula, the appropriateness of the sample size was determined:

$$n = \frac{N}{K + Ne^2}$$

Where:

N = Population of the Study=6138161

K = Constant=1

e = Degree of error expected =0.05

n = sample size

$$n = \frac{6138161}{1 + 12521541(0.05)^2}$$

n =400

600 respondents were chosen for the survey using a convenience sample method. Out of the 600 targeted respondents, we received 437 responses (72.83%), 37 of which were inaccurate or biased. As a result, only 400 responses were considered in the computations. A number of tests, including the Chi-Square test, were run using SPSS 16.

Table No.2
Reliability Test

Variables	Cronbach's Alpha	No. of Items
Financial Literacy Level	.767	400

(Source: Researcher's Computation)

9. Findings: Financial Knowledge/Literacy of the Respondents:

The extent to which respondents comprehend financial ideas and how they apply that knowledge to make wise investment decisions is defined as financial knowledge. Financial literacy comes in two flavours: basic financial literacy and advanced financial literacy (Lusardi Annamaria, 2012). To gauge respondents' basic level of financial literacy, questions about inflation, diversifications, and interest rate compounding were asked of them. In order to gauge the respondents' level of financial literacy, questions about the Risk Return Relationship, the Time Value of Money theory, the connection between interest rates and bond prices, among other topics, were asked of them. There are four possibilities after the question, and one of them is the correct response. The question is shown below, along with the percentage of accurate and incorrect responses.

If you had Rs. 3000 in a savings account and the interest rate was 4% per year, how much do you estimate you would have earned in a savings account after 10 years if you had left your money to grow:

Table No. 3
Literacy level on Saving Bank Account

	Responses	Percentage
True	310	77.5
False	90	22.5
Total	400	100

We asked women to respond to questions about basic interest calculations in an effort to gauge their financial literacy, and the majority of them were familiar with the concept. The goal of the quiz is to evaluate your knowledge of simple interest percentage calculations. 77.5 percent of respondents provided the correct response, as shown in Table 3. Only 22.5% of those surveyed provided a false response.

Consider a scenario in which the interest rate on your savings account was 2% per year and inflation was 4% per year. Would you be able to buy after a year?

Table No. 4
Literacy level on Inflation

	Responses	Percentage
True	244	61
False	156	39
Total	400	100

To gauge people's general knowledge of financial concepts like inflation, a specific question was put out. According to Table 4, 61% of respondents answered the question correctly, while 39% of women did not know what inflation is or how it impacts their purchasing power.

Assume a friend receives Rs. 30,000 today, and his sibling receives Rs. 30,000 in three years. Who is wealthier as a result of inheritance?

Table No. 5
Literacy level on Time Value of Money

	Responses	Percentage
True	200	50
False	56	14
Don't Know	144	36
Total	400	100

To gauge one's knowledge of the value of time, the question was posed. According to Table 5, the majority of respondents—50%—understand the concept of the time value of money. Only

14% of respondents provided incorrect responses due to their poor educational backgrounds and where they are from, and 36% of respondents do not grasp the concept of time being worth money.

Purchasing a single company's stock is usually a safer investment than investing in a stock mutual fund.

Table No. 6
Literacy level on Diversification

	Responses	Percentage
True	128	32
False	42	10.5
Don't Know	230	57.5
Total	400	100

The inquiry was part of a test to gauge participants' comprehension of the diversification idea. Just 32% of respondents who were asked about mutual funds gave the correct response that these investments offer a safer return than a single stock of a company and that their main objective is to diversify risk, while 10.5 percent provided false information and 57.5 percent were unaware of the concept.

It's all about getting enough insurance when it comes to financial planning.

Table No. 7
Literacy level on Financial Planning

	Responses	Percentage
True	208	52
False	142	35.5
Don't Know	50	12.5
Total	400	100

The objective of the inquiry is to assess fundamental financial planning knowledge. People frequently think that financial planning only involves buying insurance, which is incorrect. A well-rounded financial strategy includes debt, retirement, taxes, investments, insurance, and estate preparation. Only 52% of respondents provided the proper response, according to Table 7, while the remaining 48% either provided incorrect responses or had no knowledge of the topic.

Any investment opportunity that promises larger profits is likely to be less risky.

Table No. 8
Literacy level on Basics of Risk & Returns Relationships

	Responses	Percentage
True	332	83
False	68	17
Don't Know	00	00

Total	400	100
--------------	------------	------------

Table 8 shows that 83% of respondents provided the right response for the same question. 17% of respondents did not provide the proper response.

What will happen to the bond price if the interest rate falls?

Table No. 9

Literacy level on Basics of Bond Price & Interest Rates Relationships

	Responses	Percentage
True	106	26.5
False	72	18
Don't Know	222	55.5
Total	400	100

The specific query relates to how the economy perceives the relationship between bond price and market interest rate. A bond's price increases when the economy's interest rate decreases and vice versa. Only 26.5% of respondents knew the relationship between the economy's interest rate and the price of bonds, according to Table 9, and the majority of them are from the Indore district and have postgraduate education backgrounds. The table also reveals that the majority of respondents, or 73.5 percent, either gave the incorrect answer or did not understand the concept.

Which assets typically yield the highest return over a long period of time (10 to 20 years)?

Table No. 10

Literacy level on Financial Assets Return in Long Run

	Responses	Percentage
True	96	24
False	204	51
Don't Know	100	25
Total	400	100

To gauge knowledge of the different financial instruments available in the economy and their usual properties, a specific question was posed. According to Table 10, 75% of respondents either provided the incorrect response or demonstrated a lack of understanding of the concept of equity, which produces a higher long-term return. Only 24% of those surveyed correctly answered the question. Notably, the majority of respondents selected bonds as the investment that offers the highest long-term return.

Table No. 11

Overall Financial Knowledge/Literacy level

Levels	Parameters	Responses (%)
---------------	-------------------	----------------------

Basic Financial Knowledge/Literacy	Interest on Saving Account	77.5
	Inflation	61
	Time Value of Money	50
Advanced Financial Knowledge/Literacy	Diversification	32
	Financial Planning (Insurance)	52
	Risk and Return Relationship	83
	Bond Price and Interest Rate Relationship	26.5
	Financial Asset's Return in Long Run	24

The aforementioned information indicates that respondents had average financial literacy across all of the fundamental financial literacy domains examined. Only the risk and return connection and financial planning advanced criteria include respondents with fair literacy, while the other three have respondents with low literacy. By adding together all of the respondents' accurate responses, the median score may be calculated. Financial literacy is defined as having a score above the median, while financial illiteracy is defined as having a score below the median. To ascertain whether the respondent is financially literate or not, the current study follows the same process. In the current survey, financial literacy was the subject of eight questions. Microsoft Excel was used to determine each respondent's score based on the right answers they supplied. It was found that these outcomes had a median of 5. Financial literacy was defined as providing five or more accurate responses; financial illiteracy was defined as providing fewer than six. Table 11 shows the frequency of respondents who are financially literate and illiterate.

Table No. 12
Financial Literacy level

	Responses	Percentage
Literate	157	39.25
Illiterate	243	60.75
Total	400	100

Table 12 depicts that 60.75 % of the respondent are financially illiterate and only 39.25% of the respondents are financially literate.

Association between Demographic Variables and Financial Knowledge:

To find association between different demographic factors and financial knowledge/literacy Chi –square test has been applied. Various hypotheses are formed as under:

H₀₁: There is no significant association between Age and Financial Literacy of the women in the Indore Division.

Table No. 5.13			
Chi-Square Test			
Age * Financial Knowledge/Literacy			
	Value	DF	Asymp. Sig. (2- sided)

Pearson's Chi Square	10.838	4	0
-----------------------------	---------------	----------	----------

Age and Financial Literacy of the respondents are having significant association with each other, Chi-Square at 4 degree of freedom = 10.838, $P < 0.05$.

H₀₂: There is no significant association between Marital Status and Financial Literacy of the women in the Indore Division.

Table No. 14			
Chi-Square Test			
Marital Status * Financial Knowledge/Literacy			
	Value	DF	Asymp. Sig. (2- sided)
Pearson's Chi Square	4.801	3	0

Marital Status and Financial Literacy of the respondents are having significant association with each other, Chi-Square at 3 degree of freedom = 4.801, $P < 0.05$.

H₀₃: There is no significant association between Educational Qualification and Financial Literacy of the women in the Indore Division.

Table No. 15			
Chi-Square Test			
Educational Qualification* Financial Knowledge/Literacy			
	Value	DF	Asymp. Sig. (2- sided)
Pearson's Chi Square	6.053	5	0

Educational qualification and Financial Literacy of the respondents are having significant association with each other, Chi-Square at 5 degree of freedom = 6.053, $P < 0.05$.

H₀₄: There is no significant association between Occupation and Financial Literacy of the women in the Indore Division.

Table No. 16			
Chi-Square Test			
Occupation * Financial Knowledge/Literacy			
	Value	DF	Asymp. Sig. (2- sided)
Pearson's Chi Square	4.801	4	0

Occupation and Financial Literacy of the respondents are having significant association with each other, Chi-Square at 4 degree of freedom = 4.801, $P < 0.05$.

H₀₅: There is no significant association between Annual Income and Financial Literacy of the women in the Indore Division.

Table No. 17			
Chi-Square Test			
Annual Income * Financial Knowledge/Literacy			
	Value	DF	Asymp. Sig. (2- sided)

Pearson's Chi Square	26.252	3	0
-----------------------------	---------------	----------	----------

Annual income and Financial Literacy of the respondents are having significant association with each other, Chi-Square at 3 degree of freedom = 26.252, $P < 0.05$.

H₀₆: There is no significant association between Saving and Financial Literacy of the women in the Indore Division.

Table No. 18			
Chi-Square Test			
Saving * Financial Knowledge/Literacy			
	Value	DF	Asymp. Sig. (2- sided)
Pearson's Chi Square	4.651	2	0

Saving and Financial Literacy of the respondents are having no significant association with each other, Chi-Square at 2 degree of freedom = 4.651, $P > 0.05$.

H₀₇: There is no significant association between Location and Financial Literacy of the women in the Indore Division.

Table No. 19			
Chi-Square Test			
Location* Financial Knowledge/Literacy			
	Value	DF	Asymp. Sig. (2- sided)
Pearson's Chi Square	27.531	7	0

The aforementioned data make it clear that a place has a strong correlation with women's financial literacy in the Indore Division. Since Indore, Khandwa, and Khargone have higher levels of financial literacy than the other districts in the Indore division, this indicates that geography affects financial literacy in significant ways. The respondents' location and level of financial literacy are significantly correlated.

10. Conclusions: Women who worked outside the home were seen by their in-laws, husbands, and children as reckless, despite the fact that we now live in a period where women and men are on an equal footing. Furthermore, even when they were worked, women were forbidden the freedom to spend their hard-earned money how they pleased since Indian tradition assigns all decision-making authority to the male members of the household. Women's social and economic liberation has been hindered by all of these traditional and cultural constraints that have kept them from demonstrating their potential, even in the face of ability and education. Even while women now have more access to financial services than they had a decade ago, there are still circumstances in which these benefits don't enable women to take full use of them.

11. Suggestions:

In order to more effectively use their earned money to assure their future and beyond retirement, women must cultivate the habit of financial planning as soon as they start earning

and must be clear about their long-term financial goals. This will assist them in reaching their financial objectives. Women should maintain a financial diary where they may record their weekly or monthly spending. This will allow them to accumulate a regular savings account that can support them and their family in the case of unanticipated future needs. They ought to strive for fiscal restraint or prudent spending. Government initiatives must be undertaken to inform women on the tax laws and guidelines that are relevant to investments. The initiative should also come from non-governmental organisations (NGOs).

References:

1. Arora, A. (2016), "Assessment of Financial literacy among working Indian Women", extracted from <http://www.researchgate.net/publication/298790053>.
2. Arora, B., Sharma, S., Pahwa, M.S., & Yadav, S. (2018). Study on Role of Small Finance Banks for Achieving Financial Inclusion in India. UNNAYAN: International Bulletin of Management and Economics Volume - IX | July 2018 (Special Issue).
3. Kaiser, T., & Menkhoff, L. (2017). "Does Financial Education Impact Financial Literacy and Financial Behavior, and If So, When? World Bank Economic Review", World Bank Economic Review, 01 October 2017.
4. Kaiser, T., Lusardi, A., Menkhoff, L., and Urban, C. (2020). Financial Education Affects Financial Knowledge and Downstream Behaviors Wharton Pension Research Council Working Papers. 676. https://repository.upenn.edu/prc_papers/676.
5. Lusardi, A. & Mitchell, O., (2008), "Planning and Financial Literacy: How do Women Fare", American Economic Review, 98(2), 413-417.
6. Merika, A.A. (2008). Economic Factors and Individual Investor Behaviour. Journal of Applied Business, 20(4), 93 - 98.
7. <https://www.oecd.org/financial/education/oecd-infe-2017-international-survey-of-adult-financial-literacy.pdf>
8. <https://www.spglobal.com/spdji/en/documents/index-policies/spdji-indexed-assets-survey-2015.pdf>