



Financial Literacy of Women and its Effect on Their Investment Choice Decision

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ABSTRACT

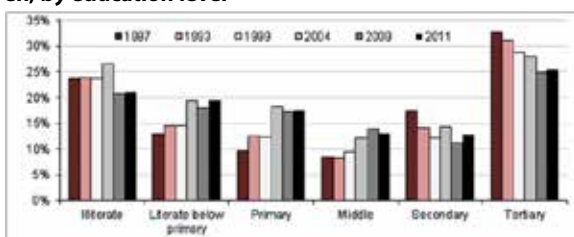
Women account for about half of the world population but their contribution in investment is meager. The immense potential of women to contribute in the economic growth through investments is still untapped. An attempt has been made in this research paper through various studies and primary collection of data to analyze whether financial knowledge has any impact on the investment behavior of women and whether lack of financial knowledge acts as a hindrance in transforming their behavior towards investment. The study will also evaluate if there is a need to create awareness regarding financial literacy amongst women which can change their investment behavior and also if women investors are inclined in enhancing their financial knowledge which eventually will lead to their empowerment.

KEYWORDS : Knowledge, financial literacy, investment, women empowerment.

Introduction

Women all over the world face challenges and various hindrances in attaining financial security. As per the statistics by CARE, out of the 1.3 billion people who live in absolute poverty all over the world, around 70% are women. The World Development Report 2015 states that despite rising economic growth, labor force participation of married women in urban India has remained stagnant around 18% since mid-1980s (World Bank Review 2015). As per the report it is the ignorance and lack of knowledge which prevents women from taking investment decisions. India is ranked at 120th of 131 countries in women's labor force participation as per the Global Employment Trends report 2013, of International Labor Organization. As women have now become active and have started participating in financial planning, high and increased employment of women contribute to higher productivity growth (World Bank, 2011). Moreover rising female employment has sustained Asia's high economic growth rates (Klasen and Lamanna, 2009) thus increasing the need for awareness towards financial knowledge for continued growth. The need for financial education among women is the need of the hour for their empowerment. It has been attempted in this paper that whether financial literacy has any impact on the behavior of women regarding investment. The positive impact of higher education of women can be seen in decline in women labor force participation. The economic independence of women is directly related to their employment which is considered to be a critical factor in women's overall status in the society (Mammen and Paxson 2008). The United Nations Economic and Social Commission for Asia and Pacific (ESCAP) in its data from 2000-2004, has estimated that the gross domestic product of India (GDP) would increase by 4.2% annually and growth rate by 1.08% amounting to an annual gain of \$19 billion if India's female labor force participation reaches equivalent to that of United States (86%). When women are economically independent, they are capable of making investments with the aim of securing their future and empowering them financially. The household investments are mobilized and eventually contribute towards the growth of the economy as quoted above in a report of UNESCAP (2000-2004).

Figure 1: Labor force participation rate of married women, by education level



Source: World Bank Review 2015

Women forming nearly half of the population are not contributing towards the growth of the economy despite their immense potential of contribution towards the growth of the economy as quoted in the National Sample Survey Organization's (NSSO) Employment and Unemployment (2009-10).

Lately due to the economic crisis and the need to empower themselves, women have realized the need to acquire financial knowledge so that they can independently meet their financial goals. It has been observed through studies in the past that women now have become more participative in household investment and financial decision making. Despite the fact that women now have become more financially independent and active but still they are not fully empowered to take independent financial decisions due to lack of knowledge and confidence.

Today's woman is no longer considered a secondary citizen and has developed a desire to actively participate in economic development and hence a strong desire and need for financial education is strongly felt by women community.

Various studies have proved that financial knowledge affects investment decision making. Investors who have less knowledge of financial market are less likely to invest in stocks (Maarten et al. 2011).

Review of Literature

A plenty of available research papers have been reviewed on the subject of the study. A brief summary of some of the research papers reviewed is presented here.

It has been found after review of various research papers that women are not willing to take risk. As per the observations made by Wang in his study (1994), he found that women are more conservative investors as compared to men and also they are offered less risky investments.

There is evidence from past studies that women are less confident when the domain is more male oriented (Beyer and Bowden, 1997).

It has been observed that financial literacy is the key factor which impacts investment decisions of women community. It was found by Eckel & Grossmann (2001) that competence and (over) confidence may impact investment behavior if women perceive themselves as less knowledgeable in the field of investment. It was found by R.L. Clark et al. (2006) that while making investment choice decisions, gender differences exist and women tend to make less risky investments as compared to men. It was also observed by the researcher that women were more inclined to the financial literacy programs and were keener

on increasing their knowledge and alter their saving behaviors. NCAER (2008) in their study found that it is the households that make savings and investment decisions and also the degree of financial security is also decided by them.

Few researchers found that participants have a fairly good understanding of the basic mechanics of the plan but they have insufficient knowledge to differentiate among numerous investment options. Women have low knowledge, income and education compared with men. This study pointed that the older participants are more likely to make personal contributions. However, education is perhaps the most significant determinant of financial literacy (Dvorak and Hanley 2010).

Dawar & Wadhwa (2011) in their study observed that generally men dominate when it comes to investments. Women are found to be conservative in making investments as they have less knowledge of financial market. The studies also confirmed that investment decisions are collective decisions which are based on the information and knowledge gathered from numerous sources (Bramabhatt et al. (2012).

In a study by M. Krishna Moorthy et al. in 2012, it was observed that age, income, education attitude towards retirement and clarity of goals in life have a positive bearing on investment behavior of individuals. It is also the income level which directly affects the saving and expenditure behavior of individuals. His observations and findings could be utilized for developing financial education plans by the financial educators for the purpose of advising clients regarding retirement planning.

In a study in 2013 which is based on descriptive research, it was concluded that unmarried women are not inclined towards investment but it is the married women who take initiatives in making investments. The middle aged women generally choose real estate as their preferred choice of Investment Avenue. The conclusions in the study can be utilized by bankers government and financial institutions for introducing such schemes of investment based on the education level, income level and age with the objective of acquiring and mobilizing funds (Jamuna & Kavitha, 2013).

Objectives of study

The research aims to evaluate the financial literacy of working and financially independent women and its impact on their investment decisions. An attempt is also made to find different ways in which financial knowledge of women can be enhanced so that it facilitates them in taking informed investment decisions.

Research Methodology

For the purpose of research primary data as well as secondary data has been used. Primary data of 85 women respondents working in educational sector in Gautam Budh Nagar has been collected through questionnaire. The subjects were all middle and senior level female faculty members and teachers. The minimum qualification was above graduation. The population comprises of educated working women in educational sector in Gautam Budh Nagar also representing the universe. The questionnaire consists of questions related to the investment behavior of the respondents and assessment of their financial literacy. Secondary data is gathered from various websites, journals, libraries, newspaper, article etc. Simple random sampling is used in the research. The data is collected from the respondents about their financial knowledge through structured questionnaire consisting of questions relating to their knowledge of financial investment avenues and their own investment choices. On the basis of statements in the questionnaire actual financial knowledge was tested so that its parameters can be set for analysis. Decision taken by them towards achievement of financial goals was based on their financial knowledge and investment pattern.

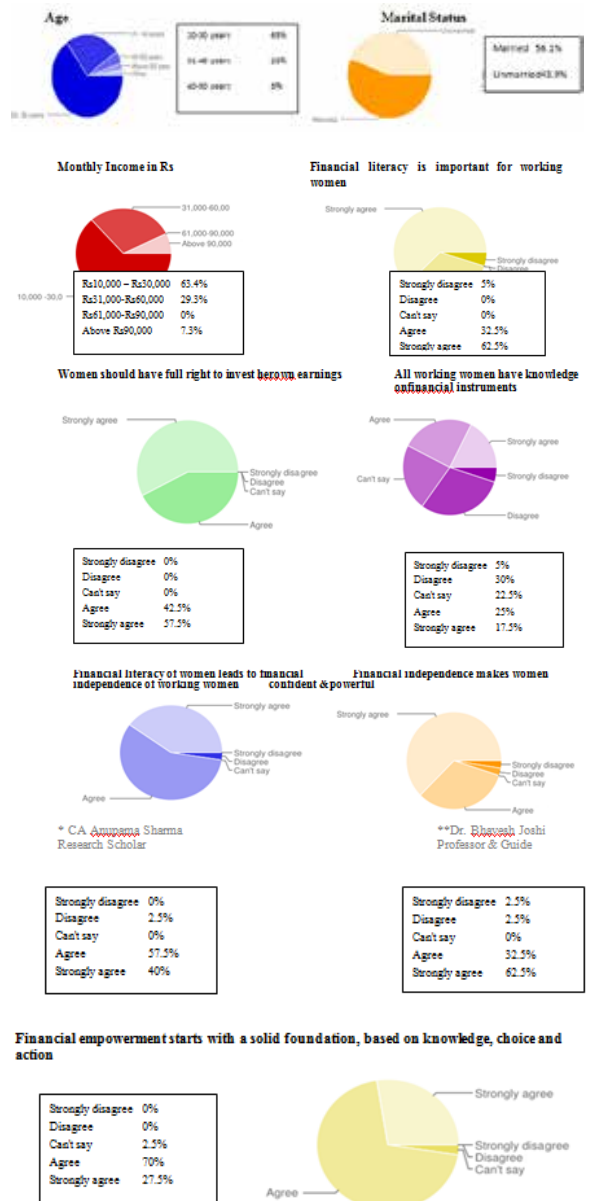
Significance of Financial Literacy

Various studies have suggested that financial literacy plays an important role in deciding the investment pattern of investors. Women have always taken a backseat when it comes to investment. Financially independent women have greater propensity to invest and participate in the economic growth of the country. The status of women in the society is still not at par with men despite various measures taken in this direction by the government and numerous organizations formed for

this purpose. Hence there is a strong need to enhance the social, political and economic status of women in the society so that women can be empowered. As women have immense potential to contribute towards the growth of the economy hence a financially independent woman can be a great source of economic development. Lately the ratio of working women in the society has increased but despite that they are not independent when it comes to decision making regarding investment or utilizing their income. Financially literate women are capable of taking informed decisions and understand the significance of financial independence and its role in their own empowerment. Investments play a very significant role in financial security of women. The data collected on financial literacy depicts the pattern

Financial Literacy and investment pattern

The data collected from the female respondents in the age group of 20 years and above, some of the observations are listed below:



Findings and Suggestions

The data collected from the female respondents in the age group of 20 years and above, the findings and trends are mentioned below:

Today's women have become more active and currently they have taken a front seat when it comes to financial decision making. Due to this women have recognized that there is a need to develop financial educational plan that can guide them in taking informed investment

decisions and can also meet their long-term financial goals. Despite being educated and financially independent women still lack the confidence in making sound financial decisions. About 50% of the respondents have indicated the need for financial literacy programs and one third has felt that there is a drastic need for such programs. It is found in the study that almost all respondents believe that education and knowledge is core requirement for their empowerment. Around 90% of women feel that financial knowledge leads to better life standards, independence in financial decision making and better empowerment. More than half of the respondents due to lack of financial knowledge wanted someone else to take the financial decisions for them. As per the observations in the study it was found that women are looking forward to some help which can empower them in taking secured financial decisions. Financial firms and advisors need to draw some education plans for women depending on their age, income, education and employment status so that they become financially aware of the various investment avenues and can take their investment decisions judiciously. Almost all the respondents have agreed to that.

Conclusion

It is concluded from the study that financial confidence of women is based on the knowledge and education. The same is also quoted in the World Bank Review 2015. It is also concluded that women who do not have financial knowledge are less inclined towards investment. The need for education and financial knowledge is on the rise as women for their empowerment need financial independence. The decision regarding investment is generally decided by the families of Indian women, any investment decision by women does not reflect their own preferences instead guided by the family members. This de-

pendence leads to lower confidence of women which is a hindrance in their empowerment. It has also been concluded in the study that women have agreed to the fact that their financial independence makes them confident and powerful. Hence it is suggested to the policy makers to design and promote women oriented programs that enhance education and promote employment amongst women. Also investment schemes which are especially targeted at women and are beneficial for their future should be launched so that women are more inclined towards investment. Government should promote such awareness programs which emphasize on significance of financial independence of women and its eventual outcome, that is their empowerment. Only then women will understand their potential and their contribution towards the growth of the economy.

It has been recognized by women that they are unable to take wise financial decisions because of lack of financial literacy. It is only handful of women who are well aware of the financial market and are capable of taking investment decisions. These women are on the right track of future financial planning because of their financial knowledge.

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