



## An Analysis of Knowledge and Practice of Personal Finance Among Working Women

### KEYWORDS

Personal Finance; working women; saving plan; financial literacy

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**ABSTRACT** *The present study was conducted in Bihar with an effort to analyze knowledge and practice of personal finance among working women. The ex post facto research design was used for the study. Total three hundred working women randomly selected for the purpose from Patna town. A survey schedule was developed for the collection of data based on pre-testing. To analyze the knowledge and practice of personal finance among working women the schedule was developed in four aspects viz. saving plan, Tax approach, Financial emergency and Retirement plan. Overall knowledge and practice of personal finance were measured on the basis of Practice Index Score obtained by the respondents. Findings suggest that majority of the respondents (82 %) show medium level of practicing personal finance management besides having higher education, employment and belonging to middle to upper middle income group.*

### INTRODUCTION

Today, men and women share the responsibility of a home and family equally and need an equal amount of preparation in making the best use of the resources available to make their lives comfortable. Today women constitute one third of the total forty eight crore job holder in India and forty five per cent of them actively participate in their family expenditure and it is estimated that it would be sixty per cent by the end of 2015 (center for work- life policy, 2010) the same study also estimated that each year 5.5 million educated women enter the workforce in India. Women in the IT workforce grew from 4.21 lakh in 2006 to 6.7 lakh in 2008. In technical functions, traditionally considered all-male bastions, the percentage of female employees has seen a steady rise and stands at 36 per cent at present. It's the same story in retail. In the case of the \$350 billion retail sector employing 25 million people globally, sixty per cent of those employed in this sector are women. In India, however, the percentage is thirty five. But the industry believes this can go up to fifty per cent if labor laws are modified. Such working women class needs proper income management to strengthen their status in society besides being only income earning person of the family.

**What is Personal Finance?** Personal finance management plays vital roles in determining the financial activities of one's personal life. It can assess net financial worth of a person in a very effective way. We all have a particular quantity of cash to spend or reserve, and deciding upon the optimum method to use our cash maintaining it to appreciate and spend at the suitable moment is what home finance budgeting is all about. Those who administer their money properly are less probable to stay dependent on their folks or the authorities for financial assistance and those who purchase everything that captures their eyes frequently neglect the liberty to purchase or do activities that matter most to them, however with robust money management abilities, even those with moderate revenues can afford to do many of the activities other people only speculate around. Personal finance is required for achieving long-term targets and obtaining security. It is however the only sure fire way to take authority over one's life enabling them to meet any financial crises and accomplish any financial targets that turn out to be realizable restricted to only one's own imagination and determination to succeed.

**Defining Financial Literacy** Garman & Fargue (2000) defines financial literacy as knowing the facts and vocabulary necessary to manage one's personal finances successfully. Having

knowledge of personal financial management and the marketplace is indicative of a greater ability to manage the family's financial resources (Godwin, 1994). People are more likely to achieve their financial goals with appropriate knowledge. Lack of personal financial knowledge limits personal financial management and may cause financial problems, resulting in lower financial well-being.

**Why it is important for women?** Women diligently save money at home, but do not make best use of those savings. That money is mostly lying idle, in the bank or at home. By learning about investments and how to invest well, women can grow their money and reach their goals. There is no need to always rely on men for everything. Studies reveals that the bank accounts in the name of women has increased to thirty three per cent while about twenty two per cent of five crore internet users are women (Thakor, M 2010). That's why mere earning of a women can not lead her to economic empowerment but advancement in their decision making capacity with the changing time is also necessary. The available evidence indicates that women are less knowledgeable than men in areas of personal finance, and these findings appear to hold true for a variety of populations (Borden, Lee, Serido, & Collins, 2008; Chen & Volpe, 1998; 2002; Lusardi & Mitchell, 2007, 2008; Robb & James 2009). According to a 2011 IMRB survey, financial literacy among women continues to be among the lowest in the world. India ranked 11th out of 14 countries, as per the Mastercard Financial Literacy Index 2011. This lack of awareness creates financial insecurity, which translates into a discernably disturbing social fallout-women suffer abuse, find themselves stranded if they are divorced or widowed, are cheated out of their rightful legacies, and are rabidly misold financial instruments.

### Methodology

The 'Ex-post facto' research design was followed in the investigation. Sample size of three hundred working women from different professions (teaching, banking, business, self employed, enterprises etc.) were selected randomly from the research area of Patna town. The data were collected through personal interview & mailed questionnaire and analyzed statistically for frequency & percentage. It is widely accepted that Knowledge is one of the important components of behavior and as such plays vital role in the covert as well as overt behavior of an individual. It significantly contribute and influence the practice of such specific component of activities. In the present study knowledge was operation-

alized as quantum of specific information possessed by the respondents about their personal finance i.e. how to use their financial resources more effectively and efficiently to achieve greater financial security. To analyze knowledge & practice of personal finance a no. of research paper related to personal finance and financial literacy were reviewed and based on that the most frequently used indicators were considered and a schedule was developed using four indicators viz. saving plan; tax approach and financial emergency and retirement plan having related questions and assigned appropriate score. The total score obtained by each respondent was calculated in terms of practice Index score as per the formula  $\text{Practice Index score} = \frac{\text{Total score obtained} \times 100}{\text{Maximum possible score}}$  Again to know the overall extent of knowledge and practice of personal finance, the total scores obtained by the respondents were categorized into four level as Very low ( participation score of 0-25 ), low ( participation score of 25-50 ), medium ( participation score of 50-75), and high ( participation score of >75).

**RESEARCH Findings**

Research suggests that knowledge is strongly linked to behavior in the area of personal finance, as more knowledgeable individuals generally display more responsible or effective financial behaviors (Hilgert et al., 2003; Robb 2011; Robb & Woodyard 2011; Xiao, Tang, Serido, & Shim 2011). Based on these findings an attempt was made in the study to explore and analyze the financial management behavior of the respondents. The findings of the investigation have been categorized into four aspect and depicted through chart. Further overall knowledge and practice of personal finance were assessed and presented in table.

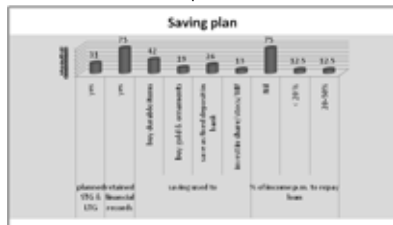


Figure 1

The financial behavior of the respondents in terms of saving plan as shown in fig.1 clearly indicated that only 31 percent of the respondents plan their short term goal and long term goal which is known to be basics of planning personal finance. As much as 75 percent respondents retained their financial records viz. tax records, insurance policies, investment records, credit card accounts, banking records, health records, deeds, mortgages or contracts, picture of property and real estate, notes payable etc. while rest 25 percent doesn't retain all the records. 61 percent working women use their savings either to buy durable items or gold and ornaments, whereas 26 percent of the respondents got their savings to be deposited as fixed deposit in bank and only 13 percent dare to invest their savings in share/stocks and mutual fund. Further 12.5 percent respondents less than 20 percent of their income has to repay loan per month while same fraction has to repay 20 to 50 percent of their income as loan.

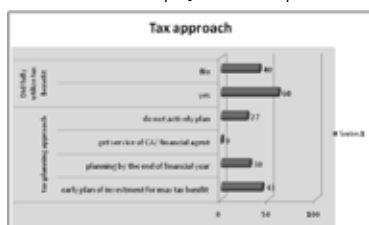


Figure 2

After analyzing the saving behavior of the respondents questions were asked related to their tax approach (fig.2) during

a financial year. Findings suggest that only 43 percent of the respondents carefully plan their investment early in the financial year to avail maximum tax benefit whereas 30 percent plan by the end of financial year when is the time to fill the income tax returns. And this is the time when investors mostly invest their money without proper investigation and doesn't entitle themselves to get much profit; the biggest mistake in personal finance. There are also some respondents (27percent) who doesn't actively plan their tax benefits mainly due to lack of financial literacy either don't know much scheme or not able to understand the terms and conditions. So by the end 60 percent of the respondents enable themselves to utilize the maximum tax benefit scheme while about 40 percent failed to do so.

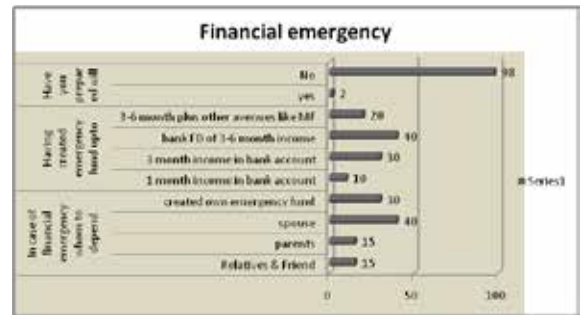


Figure 3

Next step in personal financial planning is about creating emergency fund which is also most important part. When the respondents were asked whom to depend in case of financial emergency (fig.3), 40 percent say to their spouse, 30 percent to their parents and relatives while only 30 percent has created the emergency fund to cope up with adverse financial situations. Further 40 percent respondents has created emergency fund upto 3 to 6 month income in addition to fixed deposit in bank. Here the point to be noted that these respondents were in higher income group and their husbands earning was also included. Likewise 20 percent respondents also invested in mutual funds besides saving upto 3-6 month income for emergency situation. Study shows that 40 percent respondents only has 1 to 3 months income in bank account for emergency fund. Most strikingly as much as 98 percent of the respondents doesn't made the will of their property possibly as majority hasn't any entitlement of the property none other than their earnings and ironically invest in joint names with their husbands.

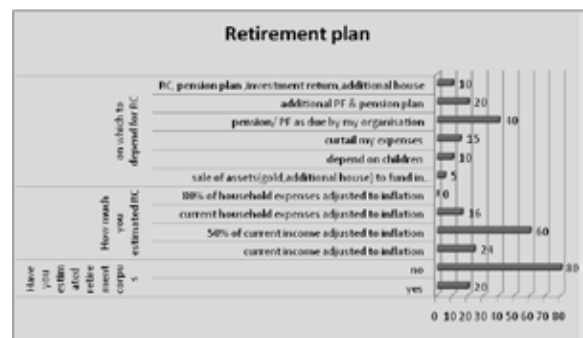


Figure 4

Lastly the retirement plan (fig.4) were analyzed to judge their financial management behavior. The pooled data indicated that only 20 percent of the respondents have estimated the retirement corpus. And out of these respondents 60 percent respondents estimated this to 50 percent of their income adjusted to inflation. When they were asked whom to depend for retirement, 40 percent say to pension and provident fund as due by their organization. 20 percent respondents have additional pension plans while a small fraction i.e. 10 percent

of the respondents plan for investment returns and additional house.

**Table 1. PRACTICE INDEX SCORE OF RESPONDENTS REGARDING PERSONAL FINANCE**

PIS Category	Frequency (n=300)	Percentage
Very Low (0-25)	Nil	Nil
Low (26-50)	54	18.0
Medium (51-75)	246	82.0
High (76-100)	Nil	Nil

When data were statistically analyzed for identifying overall knowledge and practice level of personal finance (table 1) among the respondents which were categorized into four level based on their practice index score we can observed that majority of the respondents (82 percent) belongs to medium category where their PIS range is between 51 to 75. PIS of 18 percent respondents fall in low category. None of the respondents exhibit PIS of high category. So we may conclude that overall majority of the working women manage their personal finance in medium level.

### Conclusion

A lot of women never learn about Banking, Insurance, Investments, how to grow money well and related topics throughout their lives. They are smart, have a good job, high earning, but they never learn about Money and some day when sadly, things go wrong eg., they lose their husband because of accident or some other reason; apart from emotional pain, there comes bigger pains in life, i.e. taking care of children and overall finances, that day she has no idea on how to invest money for making sure of child education, her retirement, her Insurance etc. She suddenly finds herself in very tough situation and will have to rely on others, (relative, friends etc.) In this study it is noteworthy that the maximum respondents were belonging to upper middle income group (18.4 percent) to middle income group (81.6) and majority

of them were either graduate or having professional as well as higher education degree. So they were expected to be financially literate and actively plan their personal finance but the findings didn't support that. Women worldwide, have a higher life expectancy than men, and hence have to live more than their male counterparts. Women generally rely on their children, but they should be better planned and hence learn about things. Gone are the days in India when Women would keep compromising in a relationship! Women these days, are independent, and have a say in every decision. One of the greatest human wants is a feeling of security and only personal finance can give that peace of mind without financial independence most of the other rights women now have are hardly worth having.

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