



**ORIGINAL RESEARCH PAPER**

**Commerce**

**FINANCIAL LITERACY, PERCEIVED RISK ATTITUDES AND INVESTMENT INTENTIONS AMONG WOMEN**

**KEY WORDS:** Women Financial Literacy, Risk Attitudes, Investment Intention, Financial planning.

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**ABSTRACT**

Financial literacy is the concept in which individuals and households get the required education and skills to understand management of personal finance better. It is the set of knowledge and skills that one needs to acquire to arrive at financial decisions so as to impact their financial wellbeing positively. By financial literacy we mean a positive thinking on the need for financial planning, good understanding about the various financial services, knowledge about the various products, a fair idea of the risks and rewards in terms of usage of the services, a reasonable grasp of the concepts like interest rate, compounding, inflation, diversification etc. The present paper deals with the financial literacy of the women belonging to Karaikudi – Town in Tamilnadu. Using a structured questionnaire the primary data were collected randomly from a sample size of thirty respondents. The collected data were analyzed using SEM and chi square test. The results stated that women should be given equal power to take financial decisions as taken by men. Many women were lacking financial knowledge about how to save, how to use various electronic transaction mediums, investment avenues available, saving schemes and how to spend money. The SEM model results indicated that the financial literacy has a significant impact on risk attitudes and investment intentions of women. The Chi-square test indicated that out of the demographic variables tested such as age, monthly family income and educational qualification, all have significant relation on the financial literacy on women.

**1. INTRODUCTION**

Financial literacy is the concept in which individuals and households get the required education and skills to understand management of personal finance better. It is the set of knowledge and skills that one needs to acquire to arrive at financial decisions so as to impact their financial wellbeing positively. By financial literacy we mean a positive thinking on the need for financial planning, good understanding about the various financial services, knowledge about the various products, a fair idea of the risks and rewards in terms of usage of the services, a reasonable grasp of the concepts like interest rate, compounding, inflation, diversification etc.

The need for financial planning is drawn from the life cycle needs of a family and for materialising each need, the family has to plan, save and invest. The needs range from purchasing of a vehicle, constructing a house, getting the children married, setting the corpus for an emergency fund, savings for retirement etc. Understanding about the various financial services viz. savings, investment, borrowing, insurance, remittances, pensions services etc. are required as part of making the households literate on personal finance. There are various savings schemes in force in the formal and informal economy and people are to be informed about these products and its features so that they get maximum benefit out of the scheme. The savings bank accounts available with commercial banks in India are the example for people to make use as saving vehicle, but statistics say that around 40 to 45 per cent of the people are covered by banking institutions in reaching to the masses. The recurring deposit accounts available with banking institutions, co-operative credit institutions and post offices are to be encouraged as people at all levels can access these institutional mechanisms to meet their savings needs. On investment, the households need to get the information of the various investment avenues so that the savings accumulated are parked in sound and safety channels, together with the knowledge on the risks and rewards on each investment opportunity.

**1.2 FINANCIAL LITERACY AMONG WOMEN**

One of the causes of Financial Crisis is categorized as lack of Financial Literacy. India is a developing country and we are stating into second stage of Financial Sector Reforms. Integration of our economy with work economy will increase more and so the risk of world crisis impacting Indian economy.

In India there is huge unorganized sector and the Government is withdrawing from pension schemes even in organized sector. In lack of any social security scheme, our economy may be in, for a

major instability after demographic dividend starts waning after 20/25 years. Thus improvement of financial literacy in the country is imperious for financial wellbeing of individuals as well as for the economy (Dilip Ambarkhane 2015).

Women hold around 50% of the population of India, it would be unjust if only rest of the 50% will be taking the financial decisions. Moreover, there are several theoretical arguments that support that women should be financially literate to take rationale financial decisions. Such arguments are:

**(i) Longer Life Expectancy**

OECD (2013) has come forward with a working definition of financial literacy as “financial literacy is knowledge and understanding of financial concepts and risks, and the skills, motivation and confidence to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve the financial well-being of individuals and society, and to enable participation in economic life.”

**(ii) Economic Growth**

In India, there is an overall development wants women investors as well which will enhance the liquidity in the market and will boost up scope of buy and sell in the economy.

**(iii) Self Independent**

It is essential for women to acquaint themselves with the finance world so as to be financially independents.

**(iv) Freedom from exploitation**

Financial literacy will help in protecting society and individuals against exploitative financial schemes and ridiculous interest rate charged by money lenders.

**(v) Family well being**

It is believed that if there is a difference in the financial literacy level of men and women, it may affect the relative economic power within the household.

**1.3 FACTORS INFLUENCING FINANCIAL LITERACY**

Garima Baluja. (2016) reveals that financial planning is largely acknowledged, on the other hand the significance of financial literacy is still lagging behind, especially for women. Financial literacy among Indian women is highly influenced by several factors. One is lack of independence is although several theories support the equality between men and women yet women are

deprived of the extent of independence which men enjoy. A woman can only spend a small part of her income on herself and in order to maintain harmony in the family women let go of their financial freedom. The Second one is culture is also comes in as a factor that acts as a hindrance in spreading financial education among women. Third one is lack of women centric financial schemes is most financial institutions have generic financial services and do not develop women specific financial schemes. Fourth one is lack of accessibility is mainly faced by the women in rural areas. Fifth one is lack of information on existing financial services and requirements is most of the women are unaware of the available financial services as many financial institutions advertise their services in mainstream media and billboards. Six one is less lucrative benefits is high interest rates charged on loans and high fees for maintaining and operating current accounts including low interest rates for deposits in savings accounts also discourage many women from seeking these services. The last one is less lucrative benefits, lack of basic education, and lack of financial resources.

**2. LITERATURE REVIEW**

**2.1 Definitions of Financial Literacy**

SEDI (2008) defines financial literacy as a three dimensional construct which involves a) financial knowledge and understanding, b) financial skills and competence, and c) financial responsibility. Financial knowledge and understanding implies ability to manage money in different forms, uses, functions and make the right choices for own needs. Financial skills and competence imply the ability to apply knowledge and understanding in different contexts, even in difficult situations.

Remund (2010) speaks about two versions of financial literacy – the conceptual definition and operational definition. While the former focuses concepts on concrete terms, the later relies more on measurement aspects. The conceptual definition relates financial literacy to a person’s competency for managing money.

Huston (2010) opines that spreading financial literacy is a public policy objective and in U.S., recent incidents on financial sector vouch for the increasing attention given to the financial education. The mortgage crisis, consumer over indebtedness and household bankruptcy rates are the evidences to substantiate the statement.

OECD (2006) justifies the need for financial education across all countries. “For emerging economies, financially educated consumers can help ensure that the financial sector makes an effective contribution to real economic growth and poverty reduction. But financial literacy is also crucial for more developed economies, to help ensure consumers save enough to provide an adequate income in retirement while avoiding high levels of debt that might result in bankruptcy and foreclosures”.

**3. OBJECTIVES OF THE STUDY**

- i. To study the significance of financial literacy among women
- ii. To analyze the knowledge based awareness of women in financial literacy, products, and services.
- iii. To analyze the influence of Financial Literacy on Risk Attitude and Investment Intentions of the respondent.
- iv. To examine the determinants and the level of financial literacy.

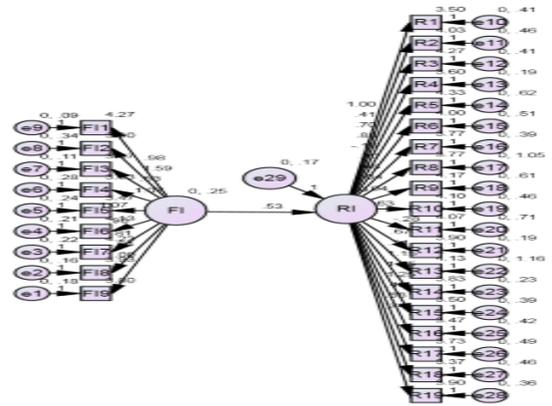
**4. METHODOLOGY**

The study is fully based on primary data. The data were collected randomly from a sample size of 30 women respondents from Karaikudi using structured interview schedule. The analysis were done with the help of Structural Equation Model and Chi-Square test.

**5. DATA ANALYSIS AND INTERPRETATION**

**5. 1 Influence of Financial Literacy on Perceived Risk Attitudes**

**Independent Variable Must Significantly Influence the Dependent Variable Directly**



**FIGURE 5.1. Influences of Financial Literacy (IV) Risk Attitudes and Investment Intentions (DV)**

The independent variable in the present model is financial literacy while risk attitudes and investment intentions is the dependent variable, and the objectives is to determine the influence of financial literacy possessed by women on their investment intentions. The model fit indices indicate a perfect fit mode with the CMIN = 2.569, p value is .000. The results indicated that financial literacy has a significant impact on risk attitudes and investment intentions with regression weight estimate = .532, p<.02. Therefore, it is concluded that the independent variable of level of financial literacy has a significant influence on the dependent variable of Risk attitudes and investment intentions. Hence, the first conditions for performing mediation test are satisfied.

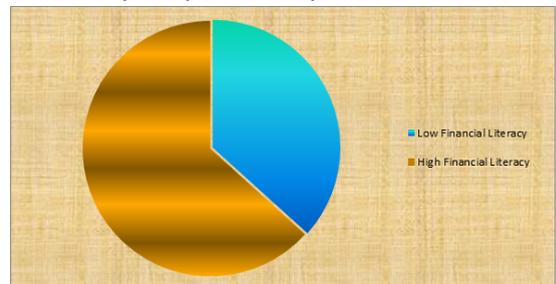
**5.2 Classification of Respondents based on their Level of Financial Literacy**

The respondents were classified as those with high level of Financial Literacy and those with low level of financial literacy obtained, on financial literacy statements. Respondents with scores of above (70%) are classified as having relatively high level of financial literacy and those with scores of less than 70% are classified as having low financial literacy. The results indicate that majority of respondents that is almost 63.3% (19 out of 30) hold high financial knowledge whereas 36.7% (11 out of 30) are having low financial literacy. **Figure 5.2** shows the classification of respondents on the basis of their financial literacy level.

**TABLE 1: Classification of Respondents based on Score obtained**

Classification	Frequency	Percentage
Low Financial Literacy	11	36.7
High Financial Literacy	19	63.3
<b>Total</b>	30	100.0

**Source:** Primary Survey conducted by the researcher.



**Figure 1: Classification of respondents**

**5.3 Cross – Tabulation and Testing of Significance**

In this section, simultaneous analysis of two variables is carried out

through cross tabulation. The research questions have also been answered in this section.

**5.3.1 Association between Age in years and Level of Financial Literacy of the respondents**

**TABLE 2: Cross Tabulation of Respondents' Age in years and Level of Financial Literacy**

Age in years	Overall Level of Financial Literacy		Total	Pearson's Chi-Square Test	
	Low	High		Value	Sig.
Below 18-21 Years	7	0	7	21.065	.000**
22-25 Years	3	2	5		
26-30 Years	0	10	10		
Above 31-35 Years	1	7	8		
<b>Total</b>	<b>11</b>	<b>19</b>	<b>30</b>		

Source: Primary Survey conducted by the researcher.

The financial literacy is low in the case of respondents belonging to the age group of 18-21 Years. This because the respondents in the age group are students and they lack knowledge about different investment avenues. They are very much interested to spend whatever they get and never try to save money. Whereas the literacy level is high among the age group of 26-30 Years. The Chi-Square test reveals that the level of financial literacy of respondents has a relationship with their age. As the age increases the literacy level also increases.

**5.3.2 Association between Monthly Income of the family in last year and the level of Financial Literacy among women**

**TABLE3: Cross Tabulation of Respondents' Monthly Income of the family in last year and Level of Financial Literacy**

Monthly Income of the family in last year	Overall Level of Financial Literacy		Total	Pearson's Chi-Square Test	
	Low	High		Value	Sig.
Up to Rs. 15,000	5	0	5	20.080	.000* *
Rs. 15,000- Rs.30,000	5	2	7		
Rs.35,000- Rs.50,000	0	10	10		
Above Rs.50,000	1	7	8		
<b>Total</b>	<b>11</b>	<b>19</b>	<b>30</b>		

Source: Primary Survey conducted by the researcher

As indicated in **Table 3**, out of 10 respondents falling in the income group of Rs. 35,000-Rs. 50,000, majority have high level of awareness about financial concepts. It is found that the next highest number of respondents i.e., 87.5%, with high financial literacy are from the income bracket of above Rs. 50,000, followed by 28.57%, belonging to the income group of Rs. 15,000-Rs. 30,000 and Up to Rs. 15,000 respectively. While majority of the respondents in the low income bracket of Rs. 15,000-Rs.30,000 have low level of financial literacy. Indicating a pattern which shows an association between the income and level of financial literacy of respondents. The significance of the association Chi-Square test was performed with values 20.080, with  $p < 0.01$ . it means that the monthly income of the respondents have a relation on their financial literacy.

**5.3.3 Association between Educational Qualification and Level of Financial Literacy**

**TABLE 4: Cross Tabulation of Respondents' Educational Qualification and Level of Financial Literacy**

Educational Qualification	Overall Level of Financial Literacy		Total	Pearson's Chi-Square Test	
	Low	High		Value	Sig.
Up to SSLC	1	1	2	15.922	.007**

HSC	0	3	3		
Diploma	0	2	2		
Graduation	0	4	4		
Post-Graduation	4	9	13		
Ph.D.	0	6	6		
<b>Total</b>	<b>11</b>	<b>19</b>	<b>30</b>		

Source: Primary Survey conducted by the researcher

Educational qualification of the respondent has a strong impact on the level of financial literacy. Out of 30 respondents, only one respondent is educated up to SSLC. Others have higher educational qualifications leading to higher level of financial literacy. On carrying out the Chi-Square test for determining the independence between the educational Qualification and financial literacy level of respondents it was found they the variables are not independent ; there is a strong evidence that educational qualification is associated with level of financial literacy with Chi-Square = 15.922, and  $p < .01$ . The higher levels of education results in higher levels of financial awareness for education leads to awareness and knowledge which has significant association with one's awareness about financial matters, knowledge to manage expenses, savings, knowledge about using of various electronic transaction mediums, financial products, investment avenues, subsidized saving schemes, and spending money.

**6. CONCLUSION**

The study has revealed that women attained a moderate to high score on the risk attitudes and investment intentions. The analyses also point out that financial literacy is significantly positively correlated with risk attitude investment intentions indicating that by increasing the level of financial awareness among women, their risk attitudes and investment intentions can also improved. The study ends with the tabulation of the results of testing of hypotheses of the study. Cross tabulation and Chi-Square test results indicate that the three demographic variables tested viz., age, monthly income of the family in last year and educational qualification were found to show a significant association with the level of financial literacy of the respondents.

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