

# A Study on Factors affecting Financial Literacy among Working Women in Punjab

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**Abstract:** Financial literacy has become important these days in India, as variety of new financial products are available in the market and it is difficult for common man to understand the risks and returns related with these financial products without sufficient financial literacy and knowledge. Financial literacy is the main tool for financial inclusion of women in India. Women these days are well educated and get best job offers with good pay packages and always do for the well being of their families Most of the women have lower risk propensity than men towards financial risk. Despite of basic education women lack in knowledge regarding management of money and variety of factors affecting financial literacy should be considered altogether to observe their significant influence so that after considering all the factors easy transmission of financial literacy and knowledge can be possible. Among major factors include Socio-economic and Demographic factors such as age, gender, education, experience, Income, Profession, Nature of employment, family background, status and its type, wealth factors impacts individuals financial literacy levels and its dimensions. (Financial Knowledge, Financial attitude and financial behaviour). An attempt has been made in this paper to gather information from previous research published worldwide to elaborate views regarding factors that will influence financial literacy. Earlier researches depict the effect of socio-demographic and psychosocial factors. This paper focuses on the basic background of factors influencing financial literacy on the basis of reviews from recent studies.

**Keywords:** financial literacy, financial decision making, literature reviews, socio-demographic factors and psychosocial factors

## 1. Introduction

The terms financial literacy, financial knowledge, and financial education often have been used interchangeably both in academic literature and in the popular media (Huston, 2010). Financial literacy has been defined in many ways and word depict various meanings depend on the object of the study, nature of study and type of data used. Most basic definition of financial literacy refers to the knowledge, importance and usage and understanding of money (Norman, 2010). In a similar vein, Lusardi and Mitchell (2007) defined financial literacy as set of skills and knowledge that guides an individual to take effective decisions and to understand finance. Financial literacy is one of the important pillars of financial well being of society, whether at micro or at macro levels. Financially illiterate individuals face various kinds of problems in the economy. Thus, lacking financial literacy has been cited by various studies as a big chief reason for; high debt and costly borrowing (Lusardi and Tufano, 2009), low participation in the formal financial market and stock market (Cole et al., 2008) poor and inadequate planning for retirement (Lusardi and Mitchell, 2006). In essence financial illiteracy could be really dangerous for the welfare of individuals, households and the entire economy.

In both developed and developing countries women show lower financial literacy levels than men. Women require financial literacy skills and knowledge to manage their finances as well as for managing their entrepreneurial activities. Since women live longer than men, they must know what financial products are

available and suitable for their empowerment. Main objective of current study is to evaluate the factors affecting financial literacy of working women the study recognised age, education, income, gender, internet connectivity, hopelessness, religiosity, and financial satisfaction etc.

## 2. Literature Review

The issue of financial literacy has been the most emerging issue for governments, organizations and the international community alike. Much as no single definition can define financial literacy, many studies have been conducted on financial literacy and its determinants by using different study units, data sets and different methods of analysis. A series of studies have been conducted to investigate the variables that determine the factors affecting financial literacy and the studies revealed that age, level of education, gender, major of study, occupation, region, area of residence, race, wealth, internet connectivity and ethnic background are important in explaining financial literacy. This section reviews literature on some of the probable factors of financial literacy, relevant for working women, in Particular.

Practical life experiences provide accumulation of knowledge with passage of time and age (Aggarwal et al., 2009). Thus, various studies explored age to be a crucial factor in explaining financial literacy. Gyensare (2012) found that age and work-experience are positively correlated with individual's financial literacy. In the same vein, Almenberg and Save-Soderberg (2011) observed that age group 35-50 demonstrate highest level of literacy and individuals older than 65 were performing worst for financial literacy. In line with Cole et al. (2008) exposed age as important factor in explaining financial literacy in India and Indonesia.

In a number of research works gender is also a demographic factor that had good relationship with the level of financial literacy. Generally, males have more financial knowledge than females. According to Guiso and Jappelli (2008) males depict greater financial knowledge in Italy. Furthermore, Bernhein (1998) indicated that males perform better on both financial and macroeconomics questions. There is significant evidence that people studied business or economics possess more financial knowledge (Olga, 2011).

In the similar vein, Goldsmith and Goldsmith (1997b) explored that women depict worse than men and hence in general, they never take interest in the topics of investment and personal finance and, consequently, rarely use financial services. According to Murphy(2005) undergraduate business students depict higher financial literacy than non-business majors. Individuals who studied economics in high schools, college or at higher levels exhibit higher levels of financial literacy later in life (Van Rooij et al., 2007). The reason being that financial literacy is highly associated with school exposure to business related subjects. Area of residence is also associated with the level of financial knowledge. Cole et al. (2008) described that rural area people reveals lowest level of financial knowledge.

## 3. Objective of the study

- To identify and study factors affecting financial literacy among working women.

## 4. Research Methodology

Various studies used different methodologies to identify and analyse factors affecting financial literacy. This study has been carried out to access the level of financial literacy among working women in Punjab. The intention of survey is to examine the knowledge of working women in financial literacy and factors affecting financial literacy of working women. Furthermore, this study is also trying to examine the relationship between financial knowledge and attitudes of working women with their financial literacy level.

### 4.1 Research Design

Descriptive and analytical research design has been used to have a better understanding of the barriers that are affecting the working women of Punjab.

### 4.2 Sample Size and Sample Unit

For the purpose of the study, total of 500 female respondents have been studied and that are further divided into 100 respondents from each city. The sampling unit consists of respondents who are

working women doing jobs in banks, colleges and other professional firms. 50 percent of the respondents are from public sector (central/state govt. /Semi-govt. Employees) and rest 50 percent respondents are from Private sector. Working women from different socio-economic levels were selected.

#### 4.3 Sample design

For collecting the responses from female respondents convenience sampling method, which is a classification of Non-Probability Sampling Methods has been used. Only working women have been considered assuming that a person is more concerned about money when it is their own earning.

#### 4.4 Data collection

This study adopted a quantitative method and data has been collected through a survey by using a closed ended questionnaire. Questionnaires helps in gathering information on knowledge, attitudes, opinions, behaviours, facts, and other information related to financial literacy of working women.

#### 4.5 Analysis of data

Data collected through questionnaire has been tabulated using Excel and SPSS software, interpretation of data was conducted on the basis of tabulation and analysis. Primary data collected is analyzed using SPSS and statistical tools like percentage analysis and ANOVA.

### 5. Empirical Results and Analysis

The data collected was encoded and tabulated. It is exposed to statistical tools like percentage analysis and cross analysis and ANOVA. The working women were asked to rate the various factors that affect the financial literacy and its impact on decision making. The factors were categorized into three categories viz. personal factors, financial factors and external factors.(Table: 5.1)

**Table: 5.1 Factors affecting financial literacy**

|                          |   |
|--------------------------|---|
| <b>Personal Factors</b>  | i. Household Budgeting                    |
|                          | ii. Child education/marriage              |
|                          | iii. Health Care                          |
|                          | iv. Repayments of loans                   |
|                          | v. Family Welfare                         |
| <b>Financial Factors</b> | i. High & Guaranteed Profit               |
|                          | ii. Low Risk                              |
|                          | iii. Financial Security                   |
|                          | iv. Tax Benefits                          |
|                          | v. Regular Source of Income               |
| <b>External Factors</b>  | i. Discussions with financial consultants |
|                          | ii. Guidance of Professional colleagues   |
|                          | iii. Past Performance of the company      |
|                          | iv. Influence of relatives                |
|                          | v. Financial Newspapers                   |

Table 5.1 indicates the various statement related to factors affecting the financial literacy and its influence on the decision-making power of the working women are summed up and data based on various factors depicts that 44.4% of the working women are highly influenced by the various factors that are affecting

financial literacy and its influence on decision making, 41.5% of the working women are neutral about the influence of various factors, 8.8% feel that various factors have low influence, 2.9% feel the various factors have very low affect whereas 2.5% of the working women feel that various factors are having very high influence on financial literacy and its influence on decision making.

The one-way analysis of variance (ANOVA) is used to determine whether there are any statistically significant differences between the means of various factors affecting financial literacy and demographic variables.

**Table 5.2 Factors affecting financial literacy and its influence on decision making behaviour among working women**

|                          |                | ANOVA          |     |             |       |      |          |
|--------------------------|----------------|----------------|-----|-------------|-------|------|----------|
|                          |                | Sum of Squares | Df  | Mean Square | F     | Sig. | Remarks  |
| Household Budgeting      | Between Groups | .025           | 1   | .025        | .026  | .873 | Accepted |
|                          | Within Groups  | 472.766        | 478 | .989        |       |      |          |
|                          | Total          | 472.792        | 479 |             |       |      |          |
| Child Education/Marriage | Between Groups | .234           | 1   | .234        | .242  | .623 | Accepted |
|                          | Within Groups  | 461.766        | 478 | .966        |       |      |          |
|                          | Total          | 462.000        | 479 |             |       |      |          |
| Healthcare               | Between Groups | .243           | 1   | .243        | .307  | .580 | Accepted |
|                          | Within Groups  | 378.255        | 478 | .791        |       |      |          |
|                          | Total          | 378.498        | 479 |             |       |      |          |
| Repayment of Loans       | Between Groups | .393           | 1   | .393        | .331  | .566 | Accepted |
|                          | Within Groups  | 568.355        | 478 | 1.189       |       |      |          |
|                          | Total          | 568.748        | 479 |             |       |      |          |
| Family Welfare           | Between Groups | .012           | 1   | .012        | .004  | .948 | Accepted |
|                          | Within Groups  | 1413.154       | 478 | 2.956       |       |      |          |
|                          | Total          | 1413.167       | 479 |             |       |      |          |
| High and Guaranteed      | Between Groups | .079           | 1   | .079        | .082  | .775 | Accepted |
|                          | Within Groups  | 462.169        | 478 | .967        |       |      |          |
|                          | Total          | 462.248        | 479 |             |       |      |          |
| Low risk                 | Between Groups | 2.452          | 1   | 2.452       | 2.445 | .119 | Accepted |
|                          | Within         | 479.496        | 478 | 1.003       |       |      |          |

|                                     |                |         |     |        |        |      |          |
|-------------------------------------|----------------|---------|-----|--------|--------|------|----------|
|                                     | Groups         |         |     |        |        |      |          |
|                                     | Total          | 481.948 | 479 |        |        |      |          |
| Financial Security                  | Between Groups | 1.271   | 1   | 1.271  | 1.173  | .279 | Accepted |
|                                     | Within Groups  | 517.721 | 478 | 1.083  |        |      |          |
|                                     | Total          | 518.992 | 479 |        |        |      |          |
| Tax Benefits                        | Between Groups | 8.183   | 1   | 8.183  | 7.503  | .006 | Rejected |
|                                     | Within Groups  | 521.265 | 478 | 1.091  |        |      |          |
|                                     | Total          | 529.448 | 479 |        |        |      |          |
| Regular source of income            | Between Groups | 2.535   | 1   | 2.535  | 2.462  | .117 | Accepted |
|                                     | Within Groups  | 492.047 | 478 | 1.029  |        |      |          |
|                                     | Total          | 494.581 | 479 |        |        |      |          |
| Discussion consultant with          | Between Groups | 14.892  | 1   | 14.892 | 13.586 | .000 | Rejected |
|                                     | Within Groups  | 523.940 | 478 | 1.096  |        |      |          |
|                                     | Total          | 538.831 | 479 |        |        |      |          |
| Guidance professional colleagues of | Between Groups | 7.940   | 1   | 7.940  | 7.933  | .005 | Rejected |
|                                     | Within Groups  | 478.427 | 478 | 1.001  |        |      |          |
|                                     | Total          | 486.367 | 479 |        |        |      |          |
| Past company performance            | Between Groups | 31.928  | 1   | 31.928 | 25.908 | .000 | Rejected |
|                                     | Within Groups  | 589.064 | 478 | 1.232  |        |      |          |
|                                     | Total          | 620.992 | 479 |        |        |      |          |
| Relative Influence                  | Between Groups | 10.382  | 1   | 10.382 | 10.012 | .002 | Rejected |
|                                     | Within Groups  | 495.618 | 478 | 1.037  |        |      |          |
|                                     | Total          | 506.000 | 479 |        |        |      |          |
| Financial Newspapers                | Between Groups | 12.998  | 1   | 12.998 | 12.723 | .000 | Rejected |
|                                     | Within Groups  | 488.327 | 478 | 1.022  |        |      |          |
|                                     | Total          | 501.325 | 479 |        |        |      |          |

Source: Primary Survey

As per the results of the ANOVA test applied on each statement of factors affecting financial literacy depicted from table 5.2, the null hypothesis is accepted on the basis of household budgeting, child education/marriage, health care, repayment of loans, family welfare, high and guaranteed profit, low risk, financial security, regular source of income that means these factors have no significant impact on the financial literacy of working women and rejected on the basis of tax benefits, discussions with financial



consultants, guidance of professional colleagues, past performance of company, influence of relatives, financial newspapers, meaning there by that these factors have significant impact on the financial literacy of working women.

**Table: 5.3 ANOVA Table based on various factors affecting financial literacy**

|   |                           | Sum of Squares | Df  | Mean Square | F     | Sig. | Remarks  |
|---|---------------------------|----------------|-----|-------------|-------|------|----------|
| Various factors affecting financial literacy and Age                  | Between (Combined) Groups | 4.050          | 2   | 2.025       | 3.254 | .039 | Rejected |
|   | Within Groups             | 296.847        | 477 | .622        |       |      |          |
|   | Total                     | 300.898        | 479 |             |       |      |          |
| Various factors affecting financial literacy and Education Level      | Between (Combined) Groups | 1.459          | 5   | .292        | .462  | .805 | Accepted |
|   | Within Groups             | 299.439        | 474 | .632        |       |      |          |
|   | Total                     | 300.898        | 479 |             |       |      |          |
| Various factors affecting financial literacy and Type of Organization | Between (Combined) Groups | 5.372          | 3   | 1.791       | 2.884 | .035 | Rejected |
|   | Within Groups             | 295.526        | 476 | .621        |       |      |          |
|   | Total                     | 300.898        | 479 |             |       |      |          |
| Various factors affecting financial literacy and Occupation           | Between (Combined) Groups | 3.811          | 4   | .953        | 1.523 | .194 | Accepted |
|   | Within Groups             | 297.087        | 475 | .625        |       |      |          |
|   | Total                     | 300.898        | 479 |             |       |      |          |
| Various factors affecting financial literacy and Marital Status       | Between (Combined) Groups | 4.114          | 3   | 1.371       | 2.199 | .087 | Accepted |
|   | Within Groups             | 296.784        | 476 | .623        |       |      |          |
|   | Total                     | 300.898        | 479 |             |       |      |          |

**Source: Primary Survey**

As per the results of the ANOVA test depicted from table 5.3, the null hypothesis is rejected on the basis of age of the working women ( $p=0.39$ ) and type of organization in which the women is working ( $p=0.35$ ) is having impact on factors affecting financial literacy and its impact on decision making. The null hypothesis is accepted on the basis of Education level of the working women ( $p=0.805$ ), occupation of the working women ( $p=0.194$ ) and marital status of the working women ( $p=0.87$ ).

**Table: 5.4 Summary Hypotheses I**

| Demographic factor   | Remarks  |
|----------------------|----------|
| Age                  | Rejected |
| Education Level      | Accepted |
| Type of Organization | Rejected |
| Occupation           | Accepted |
| Marital Status       | Accepted |

It is concluded from Table 5.4 that Hypothesis I is accepted based on demographic variable education level, occupation, marital status and rejected on the basis of age, type of organisation. This confirms that age and type of organisation are the significant factors that will impact financial literacy of working women, but education level, occupation and marital status are not important factors that will affect financial literacy.

#### **Conclusion:**

This study confirms that tax benefits, discussions with financial consultants, guidance of professional colleagues, past performance of company, influence of relatives, financial newspapers are the factors affecting financial literacy of working women positively. But household budgeting, child education/marriage, health care, repayment of loans, family welfare, high and guaranteed profit, low risk, financial security, regular source of income are not the important factors affecting financial literacy. The results of the study disclosed that age and type of organisation are the major variables that will positively impact on financial literacy of working women and education level, occupation and marital status are such variables that will not have significant impact on financial literacy of working women.

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