

A STUDY ON FINANCIAL LITERACY AND SAVINGS PATTERN OF WOMEN IN BANGALORE CITY

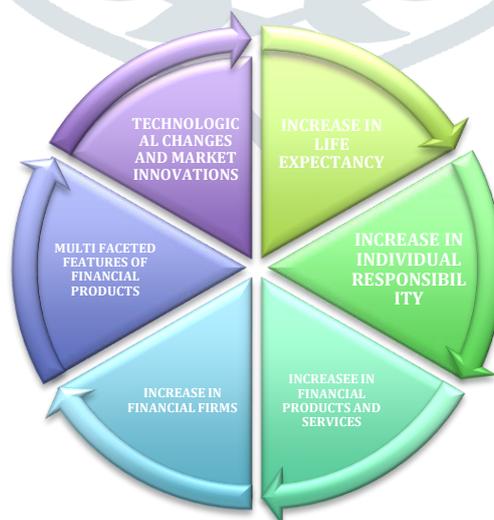
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ABSTRACT

Literacy is the key indicator of development. The awareness of financial literacy is very essential. Financial literacy enables individuals to navigate the financial world and make informed investment decisions, minimizing the chances of being misled. Furthermore, women should be knowledgeable especially about it since they are taking many household decisions being the fuel power to run the engine of every Indian family. Women are good at budgeting and managing household expenses but many women take their steps back when it comes to take larger financial decisions and they generally leave it to their spouses, fathers, brothers, etc., believing them to be financial experts. A minimum basic level of financial literacy is very essential for every woman so that they can live their life according to their own choices hence contributing the healthy and prosperous life of their family as a whole. Women have enormous potential to contribute towards the growth of the economy hence a financially independent woman can be a great source of economic development.

Therefore, the purpose of this paper is to assess the level of financial literacy and determine the savings pattern among the women in Bangalore city. The paper would use data from both desk research and the primary data, which would be collected by interviewing the respondents with the help of the validated questionnaire. The study would result in the level of financial literacy among different classes of women, the determinants of their financial literacy, the sources of financial matters, their savings pattern, the challenges they meet and their attitude and behaviour in being aware of their financial goals. The study would also determine the prevailing gap in the level of financial literacy and would suggest possible measures to be undertaken to overcome it.

NECESSITY OF FINANCIAL LITERACY



KEYWORDS: Financial Literacy, Financial Instrument, Financial Product, Savings Investment

INTRODUCTION

Financial literacy is a major challenge faced by all countries globally. Financial literacy is the blend of one's knowledge, skill and attitude towards financial matters. It helps to make informed decisions and well-being of an individual. In today's world which has a market with complicated products, the need for financial literacy becomes necessary. The OECD defines financial literacy as –“A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being.” The financial behaviour assesses how the individual deals with money.

Women conventionally were primarily responsible for the home and daily maintenance activities, which often include household budgeting and bill paying. Women's lack of knowledge and confidence with regard to money management and investment programs impact their ability to reach their financial potential. Income earned or income used to run a household always needs a certain ratio of it to be saved, as savings are the cushion one can depend on or fall on at times of emergency, contingent situations, to meet a specific purpose or sometimes even to earn more income. Most of the times it is this savings that enables an increase in investments. Financial literacy and the savings pattern run hand in hand with each other because once an individual is financially literate, they are aware of some of the best avenues to invest their savings in.

In today's world while men and women share the same competencies, it is also noticed that they have similar life expectancy rates, this means that the importance of being financially literate and the ability to make sound savings and investments is equally important. Known that men have sufficient knowledge in this field, women now stepping into complete empowerment need to be aware of the same too. This would empower women financially and will educate them to utilise the tools and resources to reach their highest financial potential.

OBJECTIVES

The objectives of the study includes-

- To analyse the investment decision regarding the saving pattern of women in Bangalore and to also determine the level of financial knowledge, their awareness of the various savings and investment avenues.
- To understand the savings pattern of women either working, doing business or homemakers. Also analysing the money management skills possessed by them.
- To study the importance of women making wise judgements in relation to their savings and investment activities. Correspondingly recognising the challenges women face with respect to financial matters.

NEED FOR STUDY

Women have very different financial information needs from men and are more likely to require financial intervention or targeted life-stage financial guidance when facing relationship transitions such as separation, divorce or death of a partner, or when taking maternity leave or career breaks to raise children or even otherwise to ensure a well financially facilitated future. Noticing the various circumstances that women have to go through to have a secured financial future and be aware with the latest financial trends, this paper is specifically designed to understand their needs and to cater to them. Bangalore is city where the standard of living is high and the cost is extensive, thereby this adds to the challenges faced by women in saving money as they have to meet their routine expenditure along with maintaining sufficient savings.

SCOPE

This study focuses on women across the city of Bangalore, with varied standards of living, occupational status, education and lifestyle. An analysis was carried out in major parts of the city including – K.R Puram, Banaswadi, Malleshwaram, Indiranagar, Shanthinagar, Ulsoor, Marathalli, Cooke Town, Kalyannagar being a few among the many.

- The research would highlight the rate of financial literacy among women, their understanding and awareness of the various financial schemes, initiatives and methods implemented by various financial bodies along with the government's enforcement.
- It would also help draw a picture about the essentiality of savings that women consider being the fuel to the engine of every family.
- It will also point out the most effective method to reach out and address the most influential gender, women to empower them with the accurate, right and essential financial information.

LIMITATIONS

- Time was the main constraint. As far as the depth of the research paper is concerned, it would be unfair to assume that the sufficient amount of data has been collected within such a limited time frame.
- The data collection has been done from a limited geographical area. Hence the findings & conclusion have got their own limitations.
- The information given by the respondents might be biased because some of them might not be interested to give correct information and collecting data by breaking linguistic barriers was a challenge.

LITERATURE REVIEW

- Barnewall (1987) finds that an individual investor can be found by lifestyle characteristics, risk aversion, control orientation and occupation; Warren et al. (1990) and Rajarajan (2000) predict individual investment choices (e.g.-stocks, bonds, real estate) based on lifestyle and demographic attributes. These investors see rewards as contingent upon their own behavior.
- Bajtelsmit and Van Derhei(1996) finds that the different genders have psychological difference in making investment decisions; female are often more conservative than male and female are not keen on making risky investment decisions. Women often make safe decisions rather than run risks even when they are given reasonable advice or they think that they can get higher return if they take risks. Besides, male often trade much more than female; they discovered that women always make a more cautious decision than men do because of the risk-avoiding psychology.
- Lori L. Embrey and Jonathan J. Fox(1997) emphasizes that Investment advisors may feel overly challenged by the need to convince risk averse investors that their long term financial interest is protected by choosing more volatile investments. In light of recent studies which find women to be more risk averse; advisors may be reluctant to place a single woman's assets in higher risk investment instruments. This study could dispel some of these concerns, as it has been shown that single men and women generally use the same decision-making process when it comes to investing.
- Karthikeyan (2001) has conducted research on Small Investors Perception on Post Office Saving Schemes and found that there was significant difference among the four age groups, in the level of awareness for Kisan Vikas Patra (KVP), National Savings Scheme (NSS), and deposit Scheme for Retired Employees (DSRE), and concluded that the level of awareness among investors in the old age group was higher than in those of young age group.
- Barber and Odean (2001), analyses that men are inclined to feel more competent than women do in financial matters. Indeed, casual observation reveals that men are disproportionately represented in the financial industry. We expect, therefore, that men will generally be more overconfident about their ability to make financial decisions than women.
- Julie R. Agnew and Eithier (2003) opines that there is evidence that women are more risk averse than men in general and this translates to investing in less risky assets in their investment plans. Differences in financial literacy between men and women may also explain differences in their investment decisions. There is some research on individual investors for e.g., Langer (1975) finds that self-reported risk tolerance does the best job of explaining differences in both portfolio diversification and portfolio turnover across individual investors.
- Meenakshi Chaturvedi and Shruti Khare (2012) analyses and suggests that there is an explosion in the growth of middle class families due to double income and increase in number of working women. Hence, effort should be made to attract women investors by providing right information and knowledge about the market through advertisement. There is a dire need to initiate steps to inculcate saving habit among the growing middle class families. The savings are to be pooled and channelized into productive investments. Hence effort should be made to attract women investors by providing right information and knowledge about the market through advertisement.

RESEARCH METHODOLOGY

The research work was carried out in Bangalore. All women both working and not working were interviewed and questioned through a structured questionnaire for this purpose. This included women belonging to different backgrounds, lower income

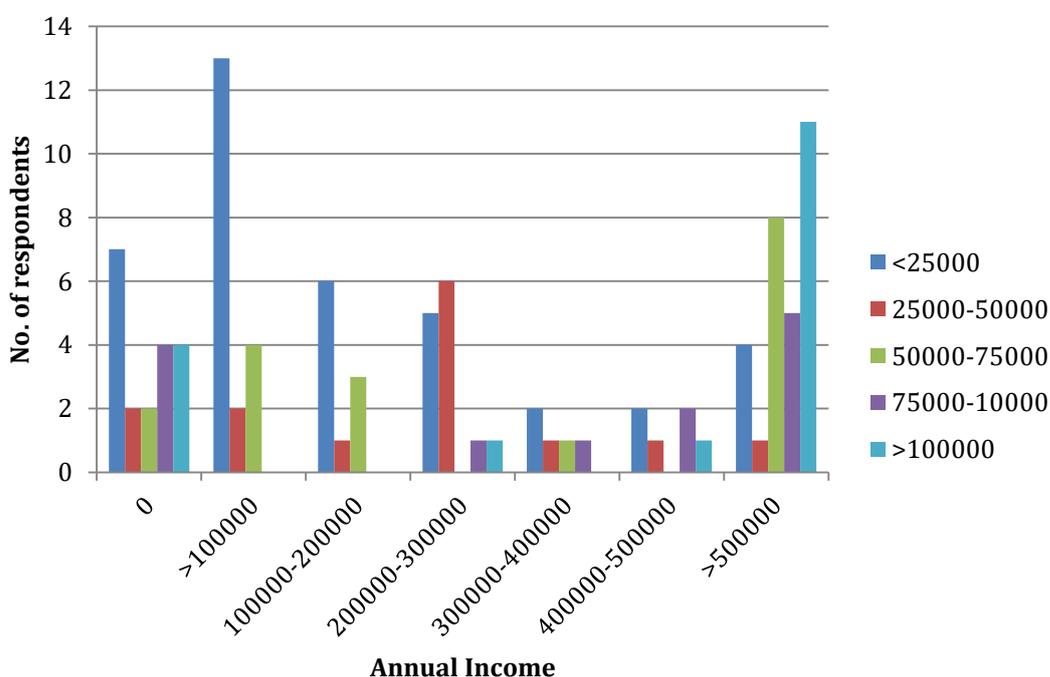
groups, medium and higher income groups. Along with this the set also includes women in the corporates, business entrepreneurs, working professionals, housekeeping staff among others. Structured questionnaire was provided to them and their responses were noted.

- Primary Source: Structured questionnaire via in-depth personal interviews.
- Secondary Source: As per references.
- Population Definition – working and not working women in Bangalore City.
- Sampling Design: Random sampling
- Sample Size: 101 out of 125 women from different backgrounds, occupations and lifestyles.

DATA ANALYSIS AND FINDINGS

INCOME-AN INFLUENCING FACTOR TO SAVINGS

INCOME SAVINGS PATTERN



(SOURCE: Primary Data)

From the analysed samples it can be seen that out of 101 respondents there is a maximum of 29 respondents who earn an annual income of more than 5 lakhs rupees. This could be so because most of the professionals earn a higher income and also because certain companies ensure that the salary given to their employees is able to help them meet the present standard of living Such that most of them are able to save at least 10% to 20% of their income annually.

Followed by a plenty of respondents earning less than one lakh rupees per annum, initiating an approximate savings of less than Rs.25000.

From the above table it can be seen that the respondents are not cautioned about the essentials of savings in its significant role in their present and future.

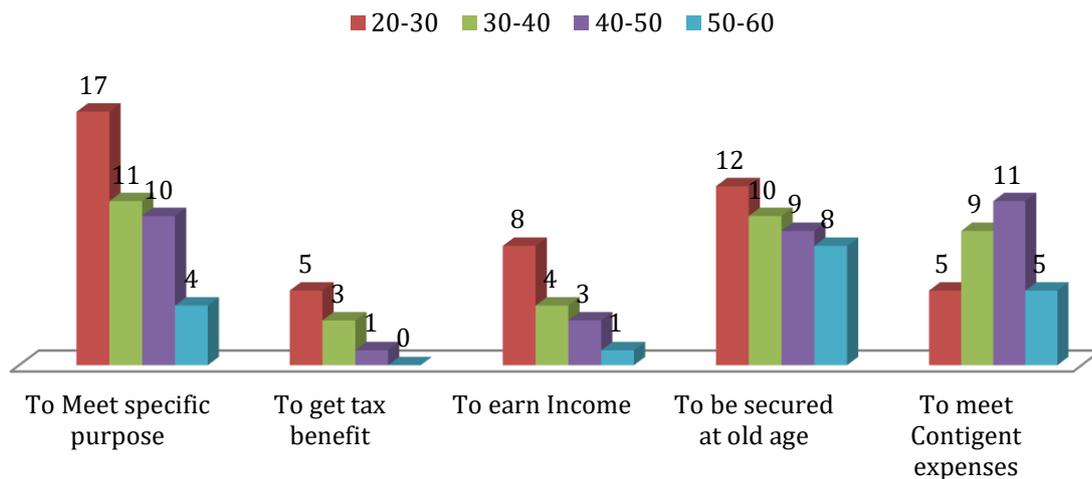
But the Zero (0) income group consisting of homemakers tend to save more money than the working group, though mostly in the orthodox/conventional methods yet proving a sense of financial security in their lives and showcasing an importance towards savings.

(Refer to ANNEXURE – 1 providing more details)

MOTIVATION FOR SAVINGS

Every individual has a motivator influencing their actions. Hence women belonging to different age groups tend to have different motivators to enhance their savings accordingly. This is being represented in the graph below.

MOTIVATORS FOR SAVINGS



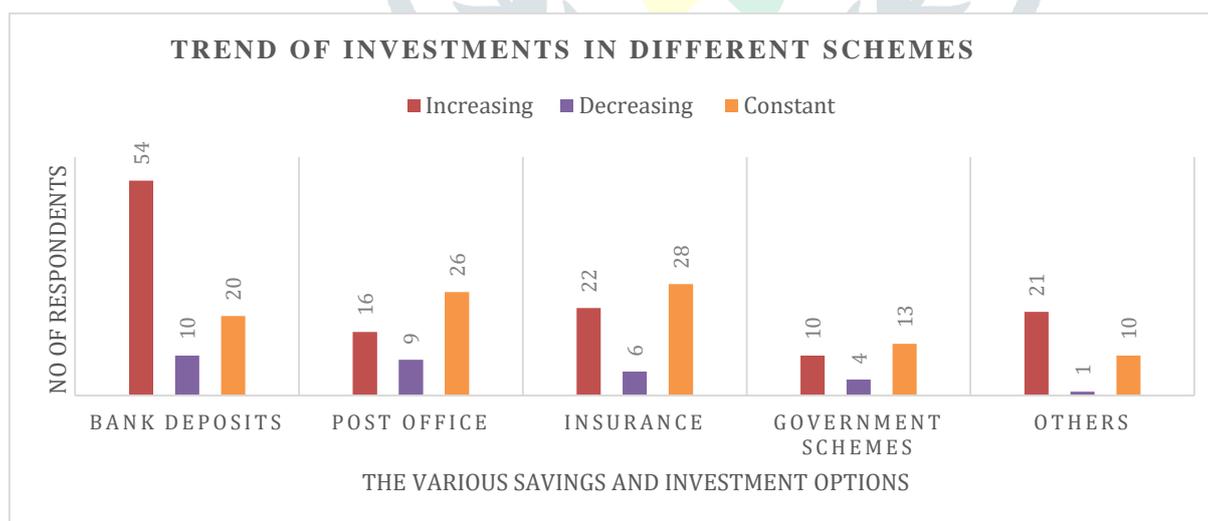
(SOURCE: Primary Data)

From the above graph it can be understood that the female youth (age group 20-30 years) tend to be motivated the most by various factors as we can see a more active and mostly increasing trend. The most motivating factor to increase their savings is to meet a specific purpose, this is followed by an urge to secure their old age because most of them are private employees and are deprived of a pensioned future. This also proves to show that the present youth are more financially literate when compared to the other age groups, though this is the case there is an essential requirement of more awareness about the same.

It is also observed that lower and higher middle age group from 30-40 years and from 40-50 years are motivated to save either for a specific purpose, to ensure a secured future at old age or to meet sudden expenses. While elderly age group ranging from 50-60 years tend to save more to meet specific purposes, to have a secured old age and also to meet contingent expenses. This is because they are concerned about their health and financial security of their family in their absence.

This draws an inference stating that most of the women in Bangalore are motivated and instigated to save for a more secured old age. The least opted option is to gain tax benefits and to increase the earning their income, this because most of them are unaware of such options and they even fear to risk their chance in such avenues.

INVESTMENT TRENDS



(SOURCE: Primary Data)

The above data shows that out of 101 respondents 84 of the respondents (83.17%) have Bank Accounts and the more likely trend of putting money there is increasing. This is a result of the government policies, financial inclusion methods initiated by the government. Even the small household women tend to have a bank account with deposits due to the advantageous subsidies received by them (LPG Subsidy).

This is followed by an increase in insurance policies that portrays a constant trend, this is because people are becoming more cautious about their health and life due to the increasing hazards affecting their well-being. Sometimes the insurance facility is

provided by the companies they work in, it is also observed that close to 50% of the Homemakers (i.e. 12 out of 25 housewives) have insurance.

Post office investments are more common among the middle aged and elderly group. They believe that it is one of the safest places to place their money in while also receiving sufficient tax benefits.

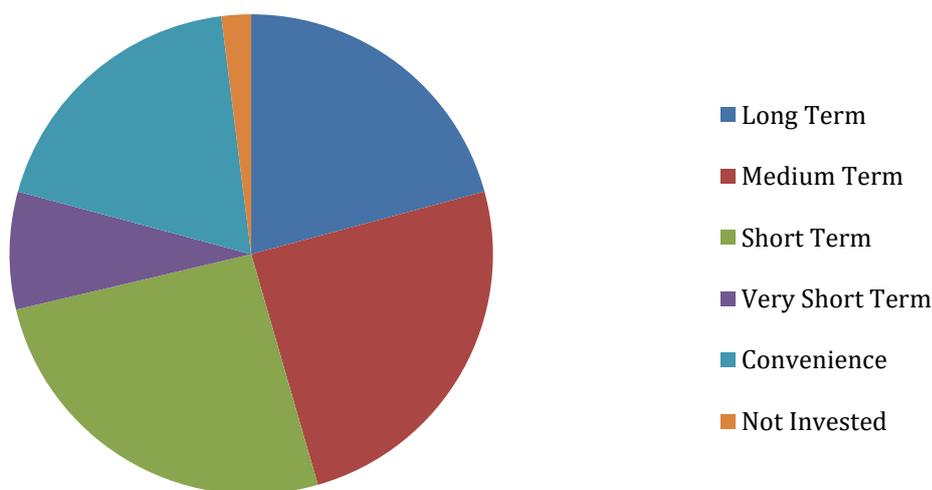
Government schemes seem to be less invested in, the minimal investment there comes from the corporates and organization working women because it is mandate (PF) for them from the government.

Some of the women also look at mutual funds, SIP, and shares to be fruitful investment avenues.

There are various other avenues women, mostly homemakers tend to look at while having an intention to save money, this is mostly not through any formal saving methods but through plenty of informal and unorganized ways. These include chit funds, money hidden from family and stored at home.

UNDERSTANDING THE INVESTMENT HORIZON

INVESTMENT HORIZON



(SOURCE: Primary Data)

The above data proves to show that most of the investments are made either for medium term or short term, in the process of collecting questionnaires the data collected through interaction also stated that women save mostly for their children and family and very rarely do they save for themselves. Hence they do so to meet medium and short term expenses, usually saved to meet a specific purpose.

Some investments are also made with long term intentions.

From this it can be concluded that women save more for short term than medium and long term.

Every person’s choice of interest depends on the amount of information they have gained over a specific topic and it also depends on their reliability of the information gained by them. Therefore, the regulatory bodies and institutions must ensure that more right information is circulated among the people in a large scale such that both the entities are benefitted. The data below shows the sources of information for women in a developed city like Bangalore.

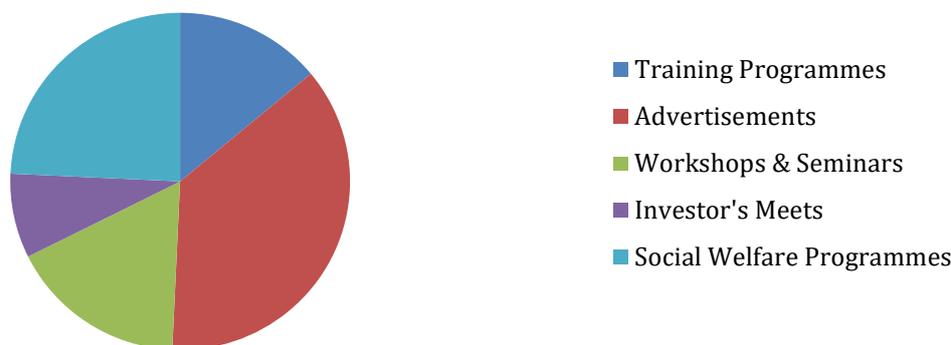
Information about Investment	Frequency	Percentage (%)
TV & Radio	21	15
Journal & Magazines	22	16
Organisation Reports	7	5
Agents & Advisors	28	20
Family Members & Colleagues	60	44

(SOURCE: Primary Data)

From the above data it can be seen that most of the women are more influenced by their family and colleagues while they make decisions related to money and investment. They are also influenced by agents and advisors in cases of both formal investment (bank deposits, insurance, shares etc.) as well as informal investments (chit funds etc.), followed by which television, radio, internet and media play an important role in helping women making decisions concerned with their investments.

According to this survey, the women of Bangalore believe that the best way to create awareness among their own classification and also in general could be in the following ways:

INVESTMENT AWARENESS



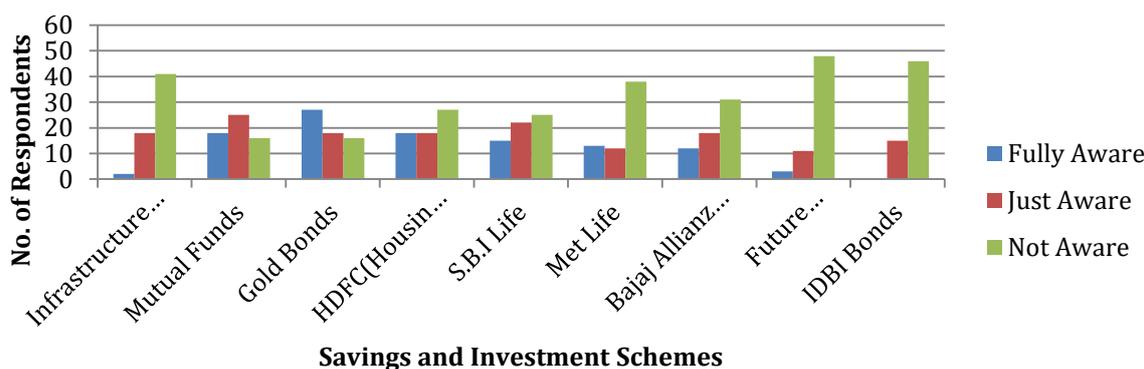
(SOURCE: Primary Data)

It can be inferred that advertisement is considered the best method to transport any message to the people, as it would reach every household, every woman from rural to urban, lower strata to the upper most strata of living. Social welfare programs are also considered to be one of the most effective methods of communicating a message and adding to the financial knowledge of every individual in turn educating the women about the same. These seem to more provoking because there is a close relationship and reliability among the people of such communities adding to the impact of such important and essential information.

UNDERSTANDING THE FINANCIAL KNOWLEDGE AMONG WOMEN

Below are the most common financial schemes and instruments that were advertised on a large scale over a long period of time. In a city like Bangalore so prone to development and information propagation where every individual is considered to possess basic knowledge about everything, let us understand if what we assume is the reality or not.

AWARENESS



(SOURCE: Primary Data)

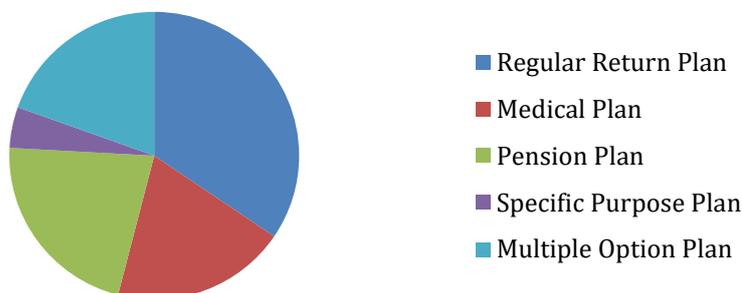
From the above graphically represented data it can be understood that the most opted answer for every question is 'Not Aware'. This means that women are unaware of the basic financial facilities provided for their benefit for various purposes. Thus proving that the rate of financial literacy is very low among the women.

PREFERENCE OF FUTURE INVESTMENT OPPORTUNITIES

Savings are always better utilised when invested in the best schemes and policies reaping the most fruitful returns. The most common plans offered by the government, financial bodies and other financial entities are given below. This would help

understand the plan women are most interested to invest in, in future. Also exploring avenues for more schemes in the same or similar plans motivating women to invest in them for their benefit.

INVESTMENT PREFERENCE IN FUTURE



(SOURCE: Primary Data)

The above data helps to state that most women prefer to invest in regular return plans, looking at its advantages it leads with a maximum majority of choices (30 favouring responses – 34% of the sample size). This is followed by Pension Plan, the most popular and commonly understood plan for good return yield.

This means that more regular return plans and pension plans need to be initiated for women to encourage their participation in the financial environment. Similar such plans can also be introduced to the benefit of women.

FINDINGS

- Women have an intention to save but they are confined to very few financial avenues. Their reach financially is restricted and limited to their surroundings.
- The savings of many housewives are informal, they are either stored at home or put in chit funds.
- Women are given the complete responsibility of managing the home that they often sacrifice their amount of savings to meet their family demands.
- Many women are financially illiterate and are unaware of many financial benefits. They also lack the knowledge of the importance of savings and money management.
- Among the working women, though the salary is high, its ratio to savings comparatively is meagre, sometimes for some individuals earning more than 5 lakhs pa the savings in some cases is less than 10% of their income for the entire year.
- More than 60% of the women are unaware of the basic plans and schemes available to them for their financial benefit.

SUGGESTIONS

- Awareness Programme should be conducted for women by the Government to increase their Financial Literacy.
- Financial Education and training should be given to women for the financial well-being of household.
- Established the separate financial institute for financial literacy to empower the investors.
- Awareness campaign should be organized by the Banks, NBFC and Investment companies to educate the investors.
- Time to time seminars should be conducted to increase the knowledge about the Investment alternatives.
- Financial Literacy Programs should start at school level, as student and parents to be educated as early as possible.
- Methodology to assess existing financial literacy programme should be developed.
- Arrange financial behavior modification programme to the Investors with the support of the Government Projects.

SUMMARY

Women are the driving force of every family, they have a role to play in the economy and its growth both directly and indirectly. Their savings and investment pattern will widely affect the financial economy of the country. This research consisted of 125 respondents out of which only 101 respondents could be included to be a part of the sample size due to their appropriate method of sharing opinions and answers to the questionnaire. Relating this sample size to the entire population of women in Bangalore it

can noticed that though we as a city are ahead in all fields of development, our driving forces, the women are still left back. Their financial knowledge needs to be revived to meet and cater to the technology and innovations in the financial environment of a fast moving world. On rigorous analysis it is seen that their participation financially would benefit both the economy and themselves. Women both working and otherwise seem to possess minimal financial knowledge. They are afraid to risk their chance in most of the modern avenues and new schemes.

As most of the women are low in financial literacy, it becomes hardly possible for them to manage their portfolios on their own. Also the risk bearing capacity of working women in India is low. This is due to lack of sound financial knowledge. Financial literacy is a foremost issue in today's times, the people are more appealing to earn income but they are not serious about their investment decision and saving allocation. Through financial literacy, they will be able to take investment decisions effectively.

The conclusion of this paper is that women should be more knowledgeable about the investment avenues since they are generally depend on their spouses or other family members. However, they are focused on the some investment avenues viz: Bank and Post office Fixed Deposits only. Due to improper knowledge about the shares, Mutual Funds and other investment alternatives, they are unable to make commendable investment decisions confidently.

ANNEXURE 1

Income an influencing factor to savings

Income (in Rupees) ↓ Rs. 0	Savings (in Rupees) →					Total	Percentage of total sample size (101)
	< 25000	25000-50000	50000-75000	75000-100000	>100000		
	7	2	2	4	4	19	18.81188
As a percentage of income	<u>(37%)</u>	(10%)	(10%)	(21%)	(21%)		
< 1 lakh	<u>13</u>	2	4	0	0	19	18.81188
As a percentage of income	<u>(68%)</u>	(11%)	(21%)	(0%)	(0%)		
1-2 lakh	<u>6</u>	1	3	0	0	10	9.90099
As a percentage of income	<u>(60%)</u>	(10%)	(30%)	(0%)	(0%)		
2-3 lakh	<u>5</u>	<u>6</u>	0	1	1	13	12.87129
As a percentage of income	(38%)	<u>(46%)</u>	(0%)	(8%)	(8%)		
3-4 lakh	<u>2</u>	1	1	1	0	5	4.950495
As a percentage of income	<u>(40%)</u>	(20%)	(20%)	(20%)	(0%)		
4-5 lakh	<u>2</u>	1	0	<u>2</u>	1	6	5.940594
As a percentage of income	<u>(33%)</u>	(17%)	(0%)	<u>(33%)</u>	(17%)		
>5 lakh	4	1	8	5	<u>11</u>	29	28.71287
As a percentage of income	(14%)	(3%)	(28%)	(17%)	<u>(38%)</u>		

(SOURCE: Primary Data) (*)

Most of the income groups tend to save a meagre of less than 25000 Rupees only. This proves to show that the awareness of making savings is absent, hence this is why even with increasing income there is very little increase in savings (as a difference between changing income classification).

*The underlined cell indicating the highest savings in the respective category of income classification.

III. Awareness

1. Where do you get information for your investment?

1. T.V. & Radio 2. Journals & Magazines
 3. Organization Reports 4. Agents & Advisors
 5. Family Members and Colleagues

2. Which of the following initiatives do you recommend to create awareness among working women about investment?

1. Training programmes 2. Advertisements
 3. Workshops & seminars 4. Investors' meets
 5. Social welfare programmers

3. How many of the following schemes are you aware of?
Please put (✓) mark at appropriate column

Sl. No	Savings & Investment Schemes	Fully aware	Just aware	Not aware
1	Infrastructure bonds			
2	Mutual Funds			
3	Gold Bonds			
4	HDFC(Housing plan)			
5	S.B.I Life			
6	Met Life			
7	Bajaj Allianz Schemes			
8	Future India (Relief bonds)			
9	IDBI bonds			

4. Do you invest in any one of the following schemes specially meant for women?

1. LIC's Jeevan Bharathi
 2. SBI Bhagya Rekha Deposits Schemes
 3. Post Office RD Schemes
 4. LIC's New Janaraksha Plan
 5. Others (specify)

5. What type of investment plan do you prefer in future?

1. Regular return plan 2. Medical plan
 3. Pension plan 4. Specific purpose plan
 5. Multiple option plan

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