



GENDER GAP IN FINANCIAL LITERACY- A STUDY IN KODAGU DISTRICT

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Abstract

Technology has heralded a lot of changes in the financial world with numerous financial products and services being introduced. Financial Inclusion is today the objective of all governments. Hence it becomes necessary for all to be financially literate- to become aware of the financial products, to have the required knowledge about them, to adopt certain financial services, to have the right attitude towards financial planning and to take cautious financial decisions. The level of financial literacy is influenced by a number of demographic and socio-economic factors. This paper focuses on one demographic factor, the gender and its influence on financial literacy. This study was conducted in Kodagu district of Karnataka. The study found significant gender gaps in the level of financial literacy and the male respondents were more financially aware of various financial products and services than the female respondents but when financial behavior and attitude is concerned the female respondents showed marginally better financial prudence.

Key words: Gender Gap, Financial Literacy, Financial Knowledge, Financial Behavior, Financial Attitude.

Introduction

It's very important for all to be aware of and capable of managing ones' finances. One should be financially literate. Financial literacy refers to knowledge and skills that enable an individual to make effective and wise financial decisions, to utilize available financial resources in a judicious manner. It is globally recognized need and hence countries world over are creating awareness and orienting its citizens towards becoming financially literate in areas of money management, investment, banking, insurance, budgeting, other financial products such as bonds, mutual funds etc. In our country many institutions such as the RBI through their awareness and orientation programs are trying to make the citizens financially literate.

Components of financial Literacy: Financial Literacy is the combination of financial knowledge, financial behavior and financial attitude.

Financial Knowledge: It is one of the indicators of measuring the level of financial literacy. It refers to the understanding of fundamental financial concepts such as investment, saving, interest calculation, inflation, banking etc. A person with adequate financial knowledge will have better financial management skills.

Financial Behavior: It is another indicator which explains individual's behavior while making financial decisions such as their decisions in times of financial exigencies and so on. This largely influences the financial well-being of an individual.

Financial Attitude: People's attitude towards various facets of financial management influence their financial behavior and hence overall financial health, so it is another determinant of the level of financial literacy. Attitude of people towards money, its importance, saving, short or long term investments, spending money, attitude towards taking risk versus playing safe etc.

Many studies reveal that men are more financially literate when compared to women. A gap between the genders is noticed in all the three elements viz., financial knowledge, behavior and attitude. The objective of this paper is to examine if there is a gender gap in financial literacy in Kodagu, a small district in the state of Karnataka which produces most of the country's coffee.

Need for the Study

Financial Literacy is a widely discussed issue today in a VUCA world. It becomes very important for individuals to make judicious decisions when it comes to their finances. There are many financial products and services available today and one must be financially literate to be able to choose the right ones for a financially secured future. The level of

financial literacy differs across social and demographic determinants such as age, gender, marital status, occupation, level of income and place of residence. This study is to understand the gender gap in financial literacy with respect to its determinants viz., financial knowledge, financial behavior and financial attitude. This study is conducted in the district of Kodagu (Coorg) a coffee growing district in the state of Karnataka. Kodagu is also known for its scenic beauty and is called as the *Scotland of India*. Not much studies in this area has been conducted here and especially to understand if there are difference among the genders with respect to financial literacy.

Review of Literature

Bucher-Koenen et.al (2014) in their working paper showed significant gender gaps in financial literacy in US, Germany and Netherlands with men being more financially literate.

Atkinson and Messy (2012), in their study found women to have a more positive attitude towards long term planning, more risk averse but less confident than men while making financial decisions. Mottola (2012), in his study concluded that there is no gender gap in financial behavior among men and women who are high on financial literacy levels.

Bettine & Maria in their study of the gender gap in financial literacy among the Austrian population found that men were higher on the financial knowledge aspect though women were more risk averse, less prone to spending money and more cautious with their finances.

Agarwalla Somesh Kumar et.al (2012) in their study in India found the financial knowledge in women marginally high when compared to men.

Sekar & Gowri (2015) in their study in Coimbatore examined the demographic determinants of financial literacy and they found that men employees were more financially literate than women.

Chen & Volpe (1998) in a study of financial literacy among college students concluded that women have greater difficulty in financial calculations and have lower financial knowledge than men. This comes as a barrier when making financial decisions.

Ani Caroline et.al, (2014) in their study on determinants of financial literacy found the men to be more financially literate than the women. In their study, Lusardi and Mitchell (2014) observed differences in financial decision-making across the genders, and found women to be less financially literate than men. Goldsmith and Goldsmith also reported similar findings in their study where they found financial literacy level of females to be lower than male. So a review of studies in comparing the financial literacy of men and women found that in most of them, women tend to have a lower level of financial knowledge than men and are less financially literate when compared to men.

Objectives of the Study

- To understand the level of financial literacy among the male and female respondents in the study.
- To evaluate if there are significant gender differences with respect to financial literacy which include components such as financial knowledge, financial behavior and financial attitude

Methodology:

Primary data collected through a structured questionnaire which consisted of sections such as demographic profile, financial knowledge, financial behavior and financial attitude. The secondary data required for the study was collected from books, internet and journals. The sample size consisted of 75 respondents chosen through convenience sampling method. The sample constituted respondents who have completed at least their graduation and also students pursuing post-graduation and other higher studies. Simple Percentage analysis was done and Students t-test to interpret the influence of gender on financial literacy levels.

Hypothesis:

Ho: There is no significant gender gap in financial literacy levels.

H_A: There are significant gender gaps in financial literacy levels with respect to financial knowledge and adoption of financial products, financial behavior and financial attitude.

Results & Findings

Table 1 Demographic Detail of Respondents

		Male%	Female%
Gender		55	45
Age	<22 yrs	34	9
	23-30	34	32
	30-40	20	29
	40-50	2	24
	50-60	5	6
	<60	5	0
Marital Status	Married	34	56
	Single	66	44
Level of Education	Degree	41	15
	PG	54	65
	PhD	5	20
Employment Status	Student	20	9
	Employed in Private Sector	12	26
	Employed in Govt Sector	41	32
	Self-employed	15	18
	Unemployed	12	15
Family Budget is prepared	Yes	46	56
	No	34	38
	Don't Know	20	6

Source: Primary Data

Male constituted 55% of the sample while female respondents 45%. 90% of the male respondents are below 50 years while 94% of the female respondents in the sample below 50 years. 34% of the male and 56% of the female respondents are married. 41% of the male respondents and 32% female respondents are employed in the government sector while 12% male and 26% in the private sector. 15% and 18% of the male and female respondents respectively are self-employed either in business or are coffee planters. 46% of the male and 56% of the female respondents opined that their families prepared a family budget and this shows financial prudence.

Financial Awareness, Knowledge and Adoption of Financial Services.

Financial Knowledge is necessary for making decisions regarding the choice of various financial products and services.

Most of the respondents have heard of the various financial products and services. So financial awareness and knowledge is quite satisfactory, though they may not know the intricate details of the products. Savings account is the most popular financial product/ service chosen followed by insurance. It is heartening to note that 68% of the male respondents and 85% of the female respondents are insured and taking into account that students too were part of the survey. 40% of the male and 29% of the female respondents have pension plans and are mostly those in the government sector. 46% of the male and 32% of the female respondents have availed loans, also investment in stocks, bonds and mutual funds by less than 30% of the male respondents and less than 20% of the female respondents. On comparison there are gender differences in the knowledge and adoption of various financial services and the males have a higher percentage when compared to the female respondents.

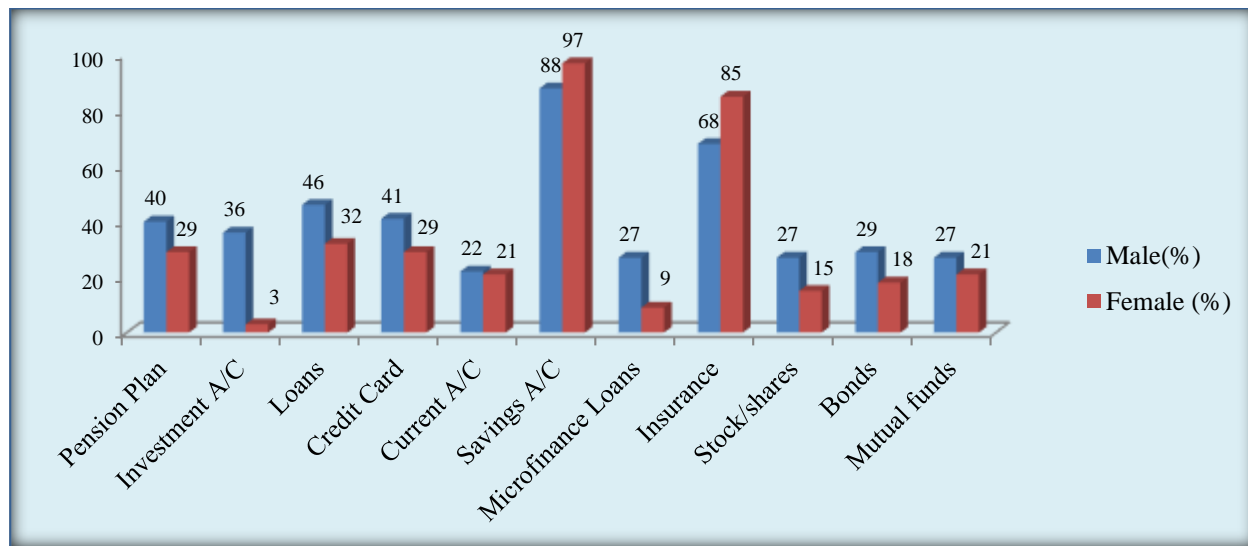


Fig (1) % Respondents who have Chosen different Financial Products

Financial Behavior

In case of financial exigencies 100% of the male respondents and 94% of the female respondents have opined that they would rely on their savings first, this shows their thrift financial behavior and it’s very heartening to note. 34% of the male and 44% of the female respondents are in favor of taking credit from family and friends that shows a majority of respondents from both the genders are hesitant to borrow from friends and relatives. Availing loans during financial emergencies is the option of 63% of the male and 50 % of the female respondents. 32% of the male and 39% of the female respondents would create extra resources such as working overtime or taking up additional part time employment to meet financial expenditure in times of crisis. 46% of the male will use credit card and 21 % of the female as most of them do not have a credit card. The male and female are almost equally divided in their opinion of postponing payment of certain other bills in order to meet urgent financial requirements. From the data it is observed that there are gender differences in the financial behavior.

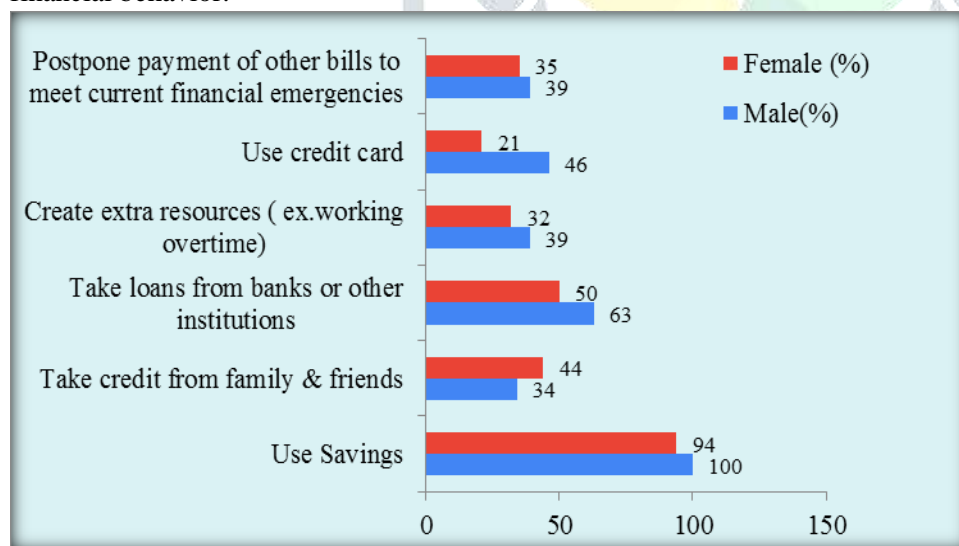


Fig (2) Financial Behavior of Respondents (%)

Financial Attitude

88% of the male and 85% of the female respondents will look into their affordability of the financial product before they decide to buy. This shows their financial prudence. 17% of the female and 49% of the female respondents find it more satisfying to spend money rather than saving it showing a huge gender gap. To supplement the above 61% of the men feel money is there to be spent whereas a low 21% of the women feel the same. Hence we can conclude that savings is a habit more prevalent in women when compared to men. The male and female respondents are almost on the same level

and almost all have opined that they would ensure that their bills are paid promptly. This too shows financial discipline is quite high. The risk taking propensity among the men is higher as 73% opined that they are willing to take risks when saving or making an investment as against 38% of the female respondents.

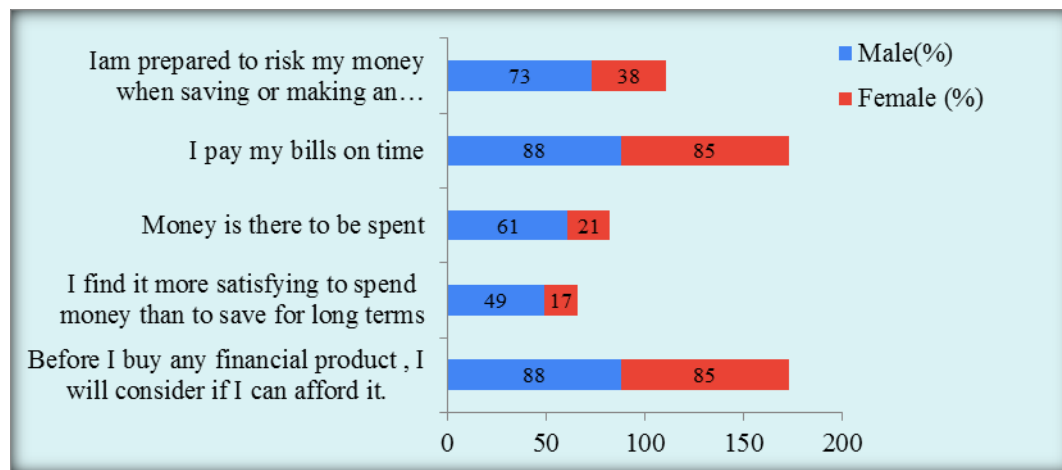


Fig (3) Financial Attitude of Respondents (%)

Results from hypothesis testing

Ho: There is no significant gender gap in financial literacy levels.

HA: There are significant gender gaps in financial literacy levels with respect to financial knowledge and adoption of financial products, financial behavior and financial attitude.

Table 2: Results of Hypothesis Testing

Description		Mean	Variance	t Stat	P(T<=t) two-tail at 5% level of sig	Sig
Level of financial knowledge & adoption of financial products	Male	16.9	76.3	1.2717	0.2196	Significant
	Female	11.3	117.6			
Financial behavior	Male	18.2	22.2	2.132	0.0655	Significant
	Female	12.4	14.8			
Financial attitude	Male	29.8	56.2	1.990	0.0817	Significant
	Female	17.2	114.2			

The Null hypothesis states that there are no gender gaps in the financial literacy levels. But the observed difference between the sample means of male and female respondents’ w.r.t level of financial knowledge & adoption of financial products, financial behavior and financial attitude, is significant enough to conclude that there is a gender gap in the level of financial awareness, financial behavior and financial attitude. Hence the Null hypothesis is rejected.

Conclusion

Financial literacy shapes financial attitudes and behaviors. The aim of this paper was to understand the gender gaps in financial literacy and as observed in many such similar studies, there were significant differences in financial literacy levels. The male respondents in this study were found to be more financially aware and have adopted financial products and services when compared to the women but when financial behavior and attitude is concerned the female respondents showed marginally better financial prudence To conclude it is not only the gender but there are other demographic and

socio-economic variables too in conjunction which influence the financial literacy and financial well-being. Nevertheless it is important for women to be more financially literate so that they gain more confidence in taking financial decision in their personal or work spheres and lead more financially independent lives. Financial literacy is not just superfluous skill but a necessary one for survival.

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