



## FINANCIAL LITERACY AND FINANCIAL WELL-BEING OF EARNING WOMEN IN PONDICHERRY

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### Abstract

This study surveys 800 earning women; to examine financial literacy and its components' level and financial well-being level among earning women in Pondicherry, to find whether there is any difference among earning women's financial literacy and financial wellbeing, and to find whether there is any association between their financial literacy and financial wellbeing. Primary data was collected through questionnaire to measure financial well-being and financial literacy. The quality and consistency of the survey was assessed by using Cronbach's alpha. Scoring method, ANOVA and Chi-Square test were used to meet out its objectives. And it was found that large number of professional women (doctors, chartered accountants, etc..) have financial literacy along with financial well-being. There is a significance difference among earning women's financial literacy and financial wellbeing, and there is an association between financial literacy and financial well-being of women in Pondicherry.

### I. Introduction

An individual is forced to compete financially strong and seeks to have better financial well-being in order to have a thriving status in the society. People of yester years (old generation) did not have literacy; they were not aware of financial policies and plan; still they had managed their financial affairs successfully. It is also a fact that women of yester years had played very effective role in managing the financial system of a family efficiently through secret savings within the four walls of the house; by involving in chit fund operations and had courage to purchase the utilities required for the family. Contrastingly, the women of today have financial income through salary but lack in financial knowledge. Women of yester years were without sources of income but created income and managed them successfully and uplifted the family whereas women of today have fixed sources of income but do not have knowledge to deal with money for their successful living. This has motivated the researchers to identify the financial status of women in terms of literacy and well-being. Financial literacy is the set of skills and knowledge that makes a person to make effective financial decision for their well-being.

This study conducted with the following objectives, 1) to measure the financial literacy and financial well-being level among earning women in Pondicherry, 2) to find whether there is any difference among earning women's financial literacy and financial wellbeing, and 3) to find whether there is any association between financial literacy and financial wellbeing.

### II. Review of Literature

There are abundant research studies to measure the financial literacy in foreign countries but in India, only a few researches concentrate on financial literacy. Most of the researches focused on measuring financial literacy among gender, educational status, income etc., Majority of the research on financial literacy say, women have low level of financial literacy compared to men. However, very limited researches concentrated on financial literacy of women.

Many studies have been conducted to know the college student's financial literacy and bring forth the results, the college students are not knowledgeable about personal finance and the incapability will limit their ability to make informed financial decisions (Haiyang Chen and Ronald P. Volpe 1998). In general, the management students have a satisfactory level of knowledge and skills of financial literacy. For constraints of financial literacy, the students have a good perception of constraints for financial literacy (Deerajen Ramasawmy et al. 2013). Financial literacy is low; less than one-third of young adults possess basic knowledge of interest rates, inflation and risk diversification. The college educated male whose parents had stocks and retirement savings was about 45 percentage points, more likely to know about risk diversification than a female with less than a high school education whose parents were not wealthy (Annamaria Lusardi, et al. 2010). Financial literacy is lowest among financially poorer students, those with less English ability, and those with less academic ability. However, relative poverty and lower English ability were not related to the ability to apply financial knowledge (Michael P 2013).

Parents play a key role in their children's financial socialization (Brenda J, et al. 2006). The students showed a high level of numeracy, yet they displayed limited knowledge of more sophisticated financial issues. The marketing students seem to have less basic knowledge on spending and to find greater difficulties in understanding the functioning of public pensions (Paola Bongini, et al. 2012). Households are financially knowledgeable, but exhibit poor financial planning skills. Financial knowledge and long-term financial planning are weakly associated (Yasser Alhenawi and Khaled Elkhali 2011). Older people



are more likely to have positive savings, holding other factors constant (Nurul Shahnaz Mahdzan and Saleh Tabiani 2013). Most young adults lack basic financial knowledge; financial literacy is especially low among certain demographic groups, such as women, minorities, and lower-income or less-educated people. A high level of education, however, is not a guarantee of financial literacy (Carlo de Bassa Scheresberg 2013).

Males know more about insurance and personal loans, but females know more about overall financial management. The married students have a higher level of knowledge about credit cards, insurance and personal loans and overall financial knowledge than the single student (Sharon M. Danes and Tahira K. Hira. 1987). Investors who belong to 50 years of age or older were more knowledgeable than those who are younger. Women had lower levels of investment knowledge than men and those who traded online were more knowledgeable (Ronald P. Volpe 2002). Males received more pocket money and presents than females, and similarly older children received more than younger children. Most of the respondents claimed they saved to buy something special or to keep their money safe (Adrian Furnham 1998). There is a huge influence of peer group in the youth below nineteen years while making purchase decisions. The youth also does not believe much in savings but believes in spending more on entertainment, gadgets, eating out and personal grooming (Dr.Rekha Attri 2012).

Individuals with strong financial attitude tend to borrow less from credit cards. UAE nationals are more likely to borrow from banks than using credit cards or borrowing from friends/or family members (Mohamed E. Ibrahim et. al 2013). Men and women gained financial knowledge and behaviour from their parents differently but both acquired financial attitudes through explicit teaching, many young adults have inadequate financial knowledge, attitudes, and behaviour (Bryce I. Jorgensen 2010).

Fergusson et al. (1981) describe financial wellbeing as financial income level and asset. Williams (1983) recognizes financial wellbeing as a function of material and spiritual aspects of one's financial status. Goldsmith (2000) knows financial wellbeing as financial adequacy and safety of individual or family that protects the person against economic risks such as unemployment, illness, bankruptcy, poverty and destitution in retirement.

Age and education are positively correlated with financial literacy and financial wellbeing. Married people and in general all men are more financially literate. Higher financial literacy leads to greater financial well-being and less financial concerns. Finally, financial wellbeing leads to less financial concern (Marzieh Kalantarie Taft et. al 2013).

There are several researches conducted on financial literacy and most of the researches indicate that financial literacy level of women is less than men but exclusive research on women's financial literacy was not concentrated much.

### **III. Research Methodology**

This study used a comprehensive questionnaire, it cover major aspects of personal finance like, savings, investments, insurance, borrowing and expenditure etc. Financial literacy is the combination of Financial knowledge, Financial Behaviour and Financial Attitudes (Atkinson, A. and F. Messy 2012). The survey questionnaire had five parts such as, 1) Personal details, 2) Financial wellbeing, 3) Financial knowledge, 4) Financial Behaviour and 5) Financial Attitudes.

The respondents were asked to answer for 50 questions out of its 8 questions related to personal details, 8 questions related to financial wellbeing, 10 questions related to financial knowledge, 13 questions related to financial behaviours and 11 questions related to financial attitudes. The quality and consistency of the survey are assessed using Cronbach's alpha and the reliability of the 42 questions is 0.88.

The correct responses of each participant would be valued as 1 and the total scores counted for each section such as financial knowledge, financial behaviour, financial attitudes and financial wellbeing. According to the existing research (Haiyang Chen and Ronald P. Volpe 1998), the average score of the respondents grouped into (1) more than 80% high level, (2) if scores is 60% - 79% medium level, and (3) below 60% low level. This methodology applied for all section of this study to measure the respondent's level of financial knowledge, level of financial behaviour, level of financial attitude and level of financial wellbeing. One way ANOVA test was run to find whether there is any difference between the earning categories in financial literacy, its components and in financial wellbeing. To find the association between financial literacy and their financial wellbeing Chi-Square test was used in SPSS. There are six hypothesis framed to test the objectives of the study.

#### **a) Level of Financial Knowledge**

Financial knowledge is expected to be the basis for possessing financial literacy. Financial knowledge includes being aware about financial concepts and the capability to apply numerical skills in financial dealings. 10 questions were included to measure the financial knowledge of the respondents covering, 1. Division, 2.Simple interest calculation, 3.Repayment of



loan, 4. Compound interest, 5. Time value of money, 6. Risk and return, 7. Cost of living, 8. Splitting of investment, 9. Insurance and 10. Knowledge about Retirement savings. Financial knowledge score was created by counting respondent's correct responses and classified into high, medium and low level.

#### **b) Level of Financial Behaviour**

The way how people behave financially in their day-to-day life will create significant impact on financial wellbeing. To measure the financial behaviours of the respondents they were asked to answer 13 questions; it covers the core components of financial behaviour like; regular savings, insurance, managing financial deficit, unauthorised lending, investment, bill payment, purchase for needs, long term goal, watching financial news, budgeting recording, follow up the expenditure and comparative purchase. The financial behaviour score counts every positive exhibit of the respondents.

#### **c) Level of Financial Attitude**

Attitudes and preferences of an individual are considered as important elements in their financial literacy. If anyone has negative attitude towards savings, investment and other components it will influence in their financial behaviours. To measure the financial attitude of respondents there are 11 questions included in the questionnaire; such as, 1) planning of expenses according to income, 2) independency in financial decisions, 3) maintaining financial records, 4) satisfaction in spending than savings, 5) concentrating to lead today's life compare than tomorrow, 6) my money is there to spent, 7) regularly supervising savings and investment, 8) borrowing for investment is risky, 9) insurance will protect life, health and property, 10) investment should be easily convertible into cash and 11) return on investment is important than safety. Every positive attitude of the respondents will get 1 score and negative is 0 and the total scores of the respondents are classified into three levels.

#### **d) Level of Financial Literacy**

The financial literacy score for each respondent was computed by adding the scores in the three underlying dimensions, namely, financial knowledge, behaviour and attitude (Sobhesh Kumar Agarwalla et al. (2013)). The score was classified into high, medium and low level.

#### **e) Level of Financial Wellbeing**

Financial well-being of different categories of women in Pondicherry is measured by 8 financial elements such as Income, Expenditure, Assets, Borrowings, Savings, Mental worries about money, Confidence in managing unexpected loss and Confidence in financial decision making. To measure the respondent's wellbeing, those 8 financial key elements were compared with respondent's present status and during the previous five years. The level of financial wellbeing of respondents is classified into three; such as High, Medium and Low level.

### **IV. Analysis and Interpretation**

Review of literature gives an impression that financial literacy level of women is lower than men and therefore, efforts were made through the study to see the level of financial literacy and financial well-being of women in Pondicherry. The respondents were classified into five groups according to their sources of earnings; a) Salaried women, b) Daily wage women, c) Registered business women, d) Unregistered business women and e) Professional women. 800 women from all these categories were part of the sample.

#### **i) Level of Financial Literacy and Financial Well-being**

The table No. 1 describes the level of financial literacy and its components and financial well-being of the respondent; about one third respondents have high level knowledge, indicative that they are aware of financial key concepts and have numerical ability. It is worth notice that among women respondents who are professionals has high level knowledge compared to other groups. A little more than one third of respondents have low level of financial knowledge: significantly, it is noted that salaried women have low financial knowledge. According to the financial knowledge less than one-fifth of the respondents have high level of financial behaviour, which indicates that they have more positive financial behaviour in their day-to-day life. It also shows that one third of the professional women category have high level of financial behaviour. Nearly half of the respondents have low level of financial behaviour. Particularly women, who are depending daily earnings more than three-fifth of them, have low financial behaviour.

Levels of Financial attitudes of the respondents are described in the following table. It shows that, less than one-fifth of the respondents have high level financial attitudes. One-fifth of the professional women category have high level financial attitudes and less than one fifth of registered and un-registered business category have high level of financial attitudes. Half of the total respondents have low level of financial attitudes; specifically, more than three-fifth of daily earning category have



low level of financial attitudes. Levels of Financial Literacy of the respondents are depicted in the following table. It reports that less than one-fifth of the total respondents have high level financial literacy and it indicates that they are aware of financial literacy components. More than two-fifth women respondents who belong to the professional category have high level financial literacy. Half of the total respondents of this study are with low level financial literacy. In particular, the women who are depending daily earning category, that counts nearly three-fourth of them, have low level financial literacy. The table gives clear picture about respondent's poor level of financial well-being. In overall not even one-tenth of respondents have high level of financial well-being and more than six-tenth of the total respondents have low level financial wellbeing. Especially most of the women who are depending daily wage category and salaried category have low level financial well-being than others.

**Table No 1: Level of Financial Literacy & its Components and Financial Well-being (in %)**

Earning Categories	Financial Knowledge			Financial Behaviour			Financial Attitude			Financial literacy			Financial well-being		
	High	Medium	Low	High	Medium	Low	High	Medium	Low	High	Medium	Low	High	Medium	Low
Salaried	28	25	48	17	35	48	9	28	63	11	34	55	4	24	72
Daily Wages	22	36	42	3	27	70	9	21	71	5	21	74	4	16	80
Registered Business	39	26	35	10	41	49	16	32	53	14	40	47	5	33	63
Unregistered Business	24	34	43	9	46	44	16	31	53	7	43	50	3	28	69
Professional	53	26	21	33	48	19	21	43	37	28	49	23	5	40	55
<b>Total in %</b>	<b>33</b>	<b>29</b>	<b>38</b>	<b>14</b>	<b>40</b>	<b>46</b>	<b>14</b>	<b>31</b>	<b>55</b>	<b>13</b>	<b>37</b>	<b>50</b>	<b>4</b>	<b>28</b>	<b>68</b>

Sources: Primary data

## ii) ANOVA Result

One way ANOVA test was run with the following hypothesis to test whether there is any significant difference among women's financial literacy & its components and financial well-being of different categories.

### Hypothesis

H<sub>1</sub>: There is significant difference among earning women's financial knowledge level.

H<sub>2</sub>: There is significant difference among earning women's financial behaviour level.

H<sub>3</sub>: There is significant difference among earning women's financial attitudes level.

H<sub>4</sub>: There is significant difference among earning women's financial literacy level.

H<sub>5</sub>: There is significant difference among earning women's financial well-being.

**Table No 2: One way ANOVA Results**

		Sum of Squares	df	Mean Square	F	Sig.
Financial Knowledge scores	Between Groups	220.557	4	55.139	11.215	***.000
	Within Groups	3908.638	795	4.917		
	Total	4129.195	799			
Financial Behaviour scores	Between Groups	893.180	4	223.295	32.771	***.000
	Within Groups	5416.900	795	6.814		
	Total	6310.080	799			
Financial Attitude scores	Between Groups	241.943	4	60.486	12.332	***.000
	Within Groups	3899.212	795	4.905		



		Sum of Squares	df	Mean Square	F	Sig.
Financial Knowledge scores	Between Groups	220.557	4	55.139	11.215	***.000
	Within Groups	3908.638	795	4.917		
	Total	4141.155	799			
Financial Literacy scores	Between Groups	3325.295	4	831.324	26.246	***.000
	Within Groups	25180.625	795	31.674		
	Total	28505.920	799			
Financial Well-being scores	Between Groups	68.580	4	17.145	6.171	***.000
	Within Groups	2208.775	795	2.778		
	Total	2277.355	799			

\*\*\*p value

Above table shows the ANOVA results, as per the results *p* value for 5% significant level is 0.000 for financial literacy and its components and financial well-being it is less than the alpha value of 0.05. As per the procedure if *p* value is less than 0.05 the null hypothesis is to be rejected. This indicates that, there is difference among women's financial knowledge, behaviour, attitudes, financial literacy and financial well-being.

### iii) Association between Financial Literacy and Financial Well-being

Personal financial literacy is the ability to read, analyze, manage and communicate information about personal financial conditions that affect their Wellbeing. It includes the ability to discern financial choices, to discuss money and financial issues without (or despite) discomfort, plan for the future and respond competently to life events that affect every day financial decisions, including events in the general.

To find out whether there is any association between the financial literacy and financial wellbeing, Chi-Square test was run in SPSS. Here financial literacy level used as independent variable and financial wellbeing level used as dependent variable.

H<sub>6</sub>: There is association between the financial literacy and financial wellbeing.

**Table No. 3 Level of Financial Wellbeing and Financial Literacy**

		Level of Financial Literacy			Total
		High Level	Medium Level	Low Level	
Level of Financial Wellbeing	High Level	15	16	1	32
	Medium Level	47	110	69	226
	Low Level	40	173	329	542
Total		102	299	399	800

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	110.077 <sup>a</sup>	4	.000
Likelihood Ratio	110.116	4	.000
Linear-by-Linear Association	106.148	1	.000
N of Valid Cases	800		

a. 1 cells (11.1%) have expected count less than 5. The minimum expected count is 4.08.

The SPSS result shows that, *p* value is (\*\*\*)0.000) less than the alpha value (0.05) so null hypothesis is rejected and alternate hypothesis is accepted, which means there is an association between financial well-being and financial literacy. Otherwise financial wellbeing level of the respondents depends upon the financial literacy level of the respondents.





## V. Conclusion

This research was done with 800 respondents, among five earning categories of women in Pondicherry for the following purpose; to measure the level of financial literacy and its components and financial well-beings among women in Pondicherry, to find whether there is any difference between different categories of women and financial literacy and financial wellbeing, and to determine whether there is any association between financial literacy and financial wellbeing.

Level of financial literacy was grouped into three categories namely; if scores is more than 80% high level, 60% - 79% medium level and if below 60% low level to measure the level of financial literacy. ANOVA result shows that there is a difference between different categories of women with regard to their financial literacy and its various components; Financial wellbeing is also different for various categories of women. The Chi-Square test result confirms the association between financial literacy and financial well-being of women in Pondicherry.

It is evident from this study, a large number of professional women like lawyers, doctors, chartered accountant has financial knowledge, financial behaviours and attitudes and financial literacy with financial well-being. It is also seen that salaried women, in large number, do not have financial knowledge, financial behaviours, attitudes and financial literacy with financial well-being. Therefore, there is an urgent need to help the salaried women to get awareness and application skills in financial decision making. Other groups of women also do not have financial literacy as expected.

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