

A Study on Financial Planning amongst Women in Bhopal

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ABSTRACT

Economic Growth of any country is chartered by multitude of factors working together to generate positive results instead of decisions taken by chance. The same is true for an individual also as growth is a matter of choice not by chance. Financial Investments in a country is based on sound planning and knowledge that comes from Financial Literacy. This paper is an effort to study the role of women in Financial Planning and investments. It tries to gauge the level of Financial Literacy and the factors determining the same. The study aims at knowing the behavioral factors and skills required to ensure active participation of women in financial decision making to bridge the gap for long term economic welfare within the country.

Key words: Financial Literacy, Financial Planning, Investment avenues

I INTRODUCTION

Financial education can be defined as the wisdom to choose between the financial products that offer the best returns charting the risk involved. It's the ability to enhance the living standard and avoid uncertainties related to life and career through effective decision making. Organization for Economic Co-operation and Development (OECD) has defined financial education as "the process by which financial consumers/investors improve their understanding of financial products, concepts and risks, and through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being". Thus, Financial Literacy is the functional combination of Knowledge and Skills promoting life decisions for improving financial wellbeing and capability. However the level of financial literacy among the investors determine the status of financial investments, being a dependent function of right mix of knowledge, skills, behavior and attitude that defines his financial choices.

Many Thinkers have expressly stated the role of women in shaping the society and economic development being the architects of the future. Women who were confined to household jobs have become active members in shaping the economic scene working in managerial positions efficiently. This has played a significant role in dominance of women workforce in the productive economy and investment planning. The anchors of the economic development have recently realized the growing dominance of women in financial investment planning for them and their families being both the bread winners and having sharp acumen for savings / budgeting.

II FINANCIAL EDUCATION AND ITS IMPORTANCE

Financial education can broadly be defined as an ability to assess the risk and return related to a specific financial products available in the market. It broadly answers three strategic and crucial questions –

Where we are currently? ,
What you may need in future? and
What you must do to reach your goals.

In the current scenario with the multiple options of financial products available and continuously evolving, it becomes very crucial to understand and calculate the complexities of financial markets from the plethora of information. It is not only a tool that empowers the financial well being but encourages taking measured risk regarding long term financial decisions of huge values and volumes. Thereby focusing on developing strategic life goals related to **Marriage, Home, Medical Emergencies, Child education or retirement having higher life expectancy as compared to men**. Thus creating a corpus fund through planned systematic financial choices rather been dependent on Government, employer or mortgages.

India being one of the most populous countries of the world with just 62% literacy and wide gender gaps along with other socio cultural or economic gaps it sets the stakes high for instigating Financial Literacy in India. The Working Population of India comprises of only 27 % women work force that depicts the increasing gender diversity gap as compared to other developed nations like US with 53 % comprising the women work force. Thus it is all the more necessary to protect the rights of women not only for bad times like Divorce, Singles, Separations or Death of husband but also to improve the financial status and as a key decision maker to use her money. This will work as a double edge sword for women who can not only improve the financial status rather provide opportunities for revenue generation on regular

basis to support entrepreneurial projects or her future dreams.

III FINANCIAL LITERACY PROGRAMMES HOSTED IN INDIA

Every Individual must have sufficient knowledge of the various financial products to estimate and assess the benefits linked to it before exploring in a new territory .A survey of Standard & poor Financial Services LLC (2014) have stated that Asians rank poorly in terms of Financial Literacy in comparison to their counterparts in Europe .Merely a small percentage of 24 % Indians knew about concepts like compound interest , Inflation , Risk Diversification and Interest out of which Women were barely able to answer unlike in other BRICS nations. This highlights the poor status of Financial Education in India and all the more deprived state of Women.

Dr D Subbarao, ex governor of RBI in 2009 at RBI – OECD Workshop stated financial inclusion and Financial Literacy as twin pillars drawing the roadmap for banks and financial institutions to chalk out plans for financial inclusion. They have worked many plans to identify the need and gaps focusing attention to special groups like women and High School / College Students to redesign the investment scenario of the country.

The last decade was marked by multiple initiatives of RBI , SEBI, IRDA and other Government / Non Government Organizations with the objective to improve financial education among various age groups and women .They have not only adopted many programs to identify the problems with the current entities but also to bring awareness and behavioral changes through development of Knowledge and skills to create customer confidence in financial matters .As per the recommendation of OECD , many countries have adopted the National Strategy for Financial Education program for spreading Financial knowledge starting from the basics of need of saving , investments and planning for future obligations /uncertainties to ensure informed decision making along with consumer protection to achieve measurable results in a defined time frame.

(a) **RBI's initiatives** - Reserve Bank of India undertook "Project Financial Literacy" to create awareness on investment in safe havens like Fixed Deposits, Insurance , Pension funds, Provident fund and Systematic Investment Plans Mutual Funds amongst senior citizens , women and school /college students .It was framed in two modules concentrating on RBI and its activities and other module on General Banking in many regional languages apart from English and Hindi through printed and

audio visual aids . The zonal offices of RBI like Hyderabad hosted several multi lingual programs in schools, colleges, exhibitions etc to cater different sects and their specific requirement – students, farmers, women, traders, SHIG's etc. The Chennai office of RBI published two comic books " Currency matters " and "Bank Matters " in English , Hindi and Tamil.

(b) **SEBI on Financial Education**-Securities Exchange Board of India has embarked financially educating working executives, home makers, retired personnel, self help groups and other age / income brackets through a nationwide campaign. The empowered team of certified and trained resource personnel conduct workshops educating on various aspects of savings , investments , banking , insurance , retirement plan .It has already covered more than 3500 workshops and 2.60 lakhs participants nationwide .They have launched toll free numbers in 14 languages to assist the investors with financial planning and resolving their complaints. On lines of New York Stock Exchange it started "Visit SEBI" program encouraging School / college students to visit the premises and understand the functioning through close observation. It distributes and counsels customers through printed / online study material and toll free helpline in many languages.

(c) **IRDA'S Initiatives on Financial Education**-Insurance Regulatory and Development Authority has undertaken multiple advertisement campaigns on television and radio targeting the key groups on benefits of Insurance policies , rights and duties of policyholders, modes of dispute redressal etc in Hindi , English and 11 other Indian languages. This is apart from the financial literacy awareness activities taken by other market players – LIC, New India etc. A study understanding the behavioral characteristics of Indian customers many new Financial Products were introduced like LIC tagline" Zindagi ke baad bhi, zindagi ke saath bhi – safety and savings " . IRDA in collaboration with NCAER conducted a survey covering whole India on awareness levels about insurance aiming to improve its strategy to capture target market. As a result it came with publications (inclusive of comic book series) named as 'Policyholder Handbooks' on insurance along with dedicated website for consumer education . Integrated Grievance Management System (IGMS) of IRDA has designed a grievances handling central repository covering whole country that even

provides various analyses of concern to policyholders.

- (d) **PFRDA Initiatives on Financial Education-** The Pension Fund Regulatory and Development Authority, has worked on mass publicity of National Pension Scheme through traditional means of printed or electronic media but through aggregators (appointed intermediaries for inter personal consultancy) .They have also developed web portal and FAQ on pension related issues.
- (e) **Market players Initiatives on Financial Education-**Last Decade have been an eye opener for the Commercial banks with increasing global competition and international banks making a foray in Indian market space. They have moved towards cashing the huge untouched segment of financially illiterate and people with limited means .This gave birth to new innovative financial product options to gain access to larger community. They came up with personal counseling apart from counseling centers and self employment training institutes through business correspondents visiting customers place of convenience to create awareness and train people to resolve indebtedness / earn reasonable livelihood .Similarly, Insurance Companies, Broking Houses, many Stock Exchanges, and Mutual Funds have taken proactive steps like conducting seminars or providing written material for generic information. The Ministry of Human Resource Development (MHRD) has taken a lead in ensuring flow of information through television and inclusion of material in school curriculum .National Institute of Securities Markets (NISM) has initiated a specially designed curriculum run and managed by National Institute of Financial Education (NIFE) that includes audio video lectures and FAQs in many regional languages.

IV REVIEW OF LITERATURE

Research Studies of S & P and other global consultancy firms have raised a concern on the level of financial literacy in India which is as low as 24 % as compared to BRICS Nations (28 %) and European Nations (52 %) in the year 2015 .This data has raised eyebrows of RBI and Finance ministry which are persistently trying to reduce the financial gaps since independence placing the financial products amongst the unbanked community for economic improvement.

OECD defines Financial education as “the process by which financial consumers/investors improve their understanding of financial products, concepts and risks and, through information, instruction

and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being”.

Many European and American states like Netherlands, Spain, UK have implemented National Strategy for Financial Education, while various countries are strategizing the formulation and implementation procedures to promote Financial well being of the society. As stated by OECD, “National Strategy for Financial Education framework ensures sustainable co-operation between regulators and stakeholders avoids duplication of resources and allows development of articulated and tailored roadmaps with measurable and realistic objectives based on dedicated national assessments.”

India dominated with a huge population with limited means, education and poverty at its backdrop have started feeling the need of a systematic plan. RBI has drawn a specialized approach to disseminate useful information in various target groups – school and college students , housewives , pensioners / senior citizens , rural / urban people in two modules – economy and its functioning and other been the general banking .As various studies have proven inadequacy of financial information and counseling have resulted in financial indebtedness and costlier options .

Women known as the best managers since ancestral times are admired for their dominance in household budgets have remained in their predetermined roles for handling trivial household money matters rather than a proactive role in major money decisions.

The Chairman: Prof.S.S.Johl of Working Group constituted by the Reserve Bank suggested financial and livelihood counseling for assisting distressed farmers and backward sections for enhancing credit viability. The Chairman: Shri C.P.Swarnkar of Working Group constituted to examine agricultural loans procedures and processes recommended opening of counseling centres individually or collectively. Later, it was seen from May 2007 after the advisory was published many banks came up with Counseling / knowledge service centres (Abhay of ICICI, Grameen Paramarsh Kendrasin by Bank of Baroda in the state of Maharashtra) . These centers mainly focus on credit related to train women, farmers, students for enhancing the financial learning and knowledge of overloaded financial information in current competitive age realizing its importance.

V OBJECTIVE OF THE STUDY

Financial Literacy and investments have ever been a taboo for women in India being considered as a secondary member of the family. Thus the primary goal of the study is:

- (a) Identify the need of Financial Education and Planning among Women.
- (b) Identify the various reasons that hamper the financial planning process amongst the women.
- (c) Suggest some useful measures to ensure higher Financial Literacy and investments from women in future preparing for unforeseen events.

VI RESEARCH METHODOLOGY

The above paper is an effort to study the knowledge and attitude towards financial planning and education amongst women in Bhopal based on primary data collected through systematic Questionnaires. The results are tabulated and analyzed to draw meaningful conclusions supported with secondary data available in written and electronic form.

VII LIMITATIONS OF THE STUDY

The study having immense scope in useful policy formulations however it is restricted due to time and financial constraints within the city of Bhopal only. Data is collected and analyzed of limited participants who answered the questionnaire. Thus the conclusions and suggestions are based on findings of the study which cannot be generalized on overall country prospects except with some assumptions.

VIII NEED RECOGNITION OF FINANCIAL LITERACY AMONG WOMEN

The Corporate work space which is currently observing a major shift towards bridging the Gender Gap within the various walks of life whether in offices or education. Women who are increasingly becoming financially independent are still dependent on their spouse or other male members of the family for major economic decisions. Financial planning for women cannot be limited for distress situations like Divorce, Death of Spouse or any other medical emergency but planning for other goals in life. A Sustainable Economic Growth can only be achieved through active involvement of Women in Financial planning and Investments.

High Level of Financial Planning contributes tremendously for creating financial well being among investors that come from knowledge of various products ranging from – Banks, Insurance, Pension Funds, Mutual Funds, Equity and Bonds to assess the utility as per individual nature and need of customer. But women have quite limited access to financial information due to various barriers – Physical, Socio cultural, Educational and Financial that threatens life decisions all the more.

“Lower levels of financial literacy have the potential to reduce women’s active participation within the economy; economic power within the household; transmission of knowledge to the next generation and to worsen existing social disparities.” (Hung, Yoong and Brown, 2012)

Financial Literacy creates momentum in flow of money where it multiplies to create more money so it works for them who are earning it. While women earning money are found to have absolutely poor knowledge of their financial history and future goals. However, women requires to be instilled with the behavioral and attitudinal changes to bring a change of mindset towards financial planning, which gives wings to live their dreams by starting a business or financing education or child’s marriage.

IX BARRIERS TO FINANCIAL LITERACY AMONG WOMEN

- (a) **Physical** – Women being distanced out due to personal responsibilities are finding difficult to find time and space to visit the financial service provider in both urban and rural areas.
- (b) **Socio Cultural**- Women from historic days were confined to homes taking care of family and a child has started shelling out the barriers for moving outside to work. However, the dominance of male members of the family still persists being the primary bread winners.
- (c) **Behavioral** – Women lack confidence to take big financial decisions concerned with her family due to her own attitude. They consider themselves to have low financial interest, poor financial knowledge and rational thinker as compared to men and over occupied with other household task to learn it.
- (d) **Educational** – Working Women in India due to her household or societal limitations are poor with financial terms (jargons). They are mostly engaged in managerial and admin tasks leaving the financial domains for their counterparts at workplace. Due to their limited opportunities and interest areas her financial is limited. This has created a huge gap in workplace diversity in specific roles.

- (e) **Skill Set** – Research Studies have proven that women have their right brain good at creativity while men have their left brains good at calculations and rational thinking more active. Women usually lack the skills due low interest and inspiration to make them financially equip to handle their personal incomes and accounts more efficiently.
- (f) **Do not translate life goals to financial figures** - Women have a set of priorities for her personal life like when to get married, how many children, how to raise children, etc but usually most of the women do not have any targets for financial planning. It has remained a prerogative of males from initial days which has become a deep rooted thought in their mental framework. It leads to lack of inertia and procrastination.

X FINDINGS

Few latest Research Studies commissioned by fund house and financial service provider reported that 77 % working women in India (only 27 % working) are dependent on either their Father or spouse for Financial and Investment decisions. While the rest of 23 % working women, 18 % are Single working women either divorced or widows who actively participate in financial planning for livelihood and welfare of family.

Financial investments depend on behavioral finance which is the attitude and behavior dictating the choice of financial decision rather than knowledge. As per other research studies, Women lacks the interest and initiative to enquire about various available financial products. The Psychological stigma and procrastination have always made them laid back. Women in Bhopal too belong to same category having very low knowledge of new and existing financial products available in the market.

The research study involves 60 women participants (comprising both working and non working) who participated in the study answering the specially designed questionnaire to understand their level of financial literacy and investments they made annually. The research validated the lack of financial literacy among the 68% participants and their dependency on their male counterparts in the family for financial planning and investments.

The status of women plays a crucial role in determining their participation in financial planning and investments. Married women are more dependent on their husbands for financial needs and investments rather than Single or Divorced. As 55% women are completely dependent on their husbands for financial needs out of total 87% women in the survey who are married. While out of Divorced (6% of total surveyed) and Single (3% of

total surveyed) financially independent are 90 % and 78% respectively.

Earlier research studies have shown a high degree of correlation between education and Financial Literacy as states with high literacy rate like Goa and Gujrat with 80 % and 68 % literacy respectively has 50 % and 33% financial literacy of the latter. While Madhya Pradesh with 59% literacy is just 23% financially literate. While the above figures present an overall scenario instead of sectoral or gender specific. According to our survey post graduate or graduate women are 27 % better financially literate than High School / Higher School pass outs.

Women engaged in organized sector are most likely to plan and investment in safe heavens like Fixed Deposits, PPF 's and Mutual Funds to plan for retirement and other potential needs . While the rest of women workforce occupied in private jobs have poor financial investment pattern and focus on quick fixes like chit funds etc. The survey confirmed the risk averse nature of women as investments in risk free assets like Fixed Deposits, Mutual Funds , Systematic investment plans etc are higher by 44 % than Equities , Bonds , Insurance etc .

Barely 17 % understand financial terms and concepts like Time value of money, Compounding of Interest, Mutual Funds, Net Asset Value etc. The low understanding related to complexities of TDS , Tax Compliances , Legal aspects like FATCA , Form 16 ,Gold bonds etc have demotivated 57% women to open a demat or securities account . While only 23 % women insurance as financial investment tool and life insurance for old, ailing retired people. Thus leaving their financial ends open and small investments in Bank deposits if at all.

Financial decisions are taken mostly by men even if women are working having personal disposable income. Time and accessibility of the information plays a crucial role in barricading the financial planning amongst women as they have bigger engagements in daily household course apart from their professional responsibilities. Therefore only 34 % of working women are participating in financial planning and merely 12% of non working women participate in financial decision making prominently due to ignorance and laid back attitude among the women.

The Chi Square test at 5 % level of Significance (degree of freedom @ 4) validates a significant difference between the financial investments on an annual basis among working and non working women in Bhopal. As per the data 33 % and 20 % working women our making an investment of more than Rs 50,000/ to Rs 1,00,000/ and more than Rs 1,00,000/ annually in PPF and other safer options

while this ratio is very miniscule for non working due to continuity of income source.

XI SUGGESTIONS

Financial literacy and investments among women is more of a behavioral trait than knowledge only. It is a mental set up of society and women towards themselves for the role they take up in society. From the early stages they were limited to boundaries of home while the financial planning and investment was dominated by men. The societal roles have changed gradually however the mental framework remains persistent in years. Procrastination and lack of inertia for pertaining financial responsibilities and literacy has made it a neglected domain. Women need to brush upon the benefits of financial literacy for seeking financial independence both in bad and good times.

Women who haven't been the prime wage earners has limited financial savings due to uncertainty of income sources and fear of losing money as they frequently take professional breaks due to personal reasons. All the more saving is painful today as it means cutting down expenses now which means alteration of the mental framework. Thus focus should be on developing the mental framework for financial independence, security and stability assisting in fulfilling personal or family needs along with unaccounted situations.

Financial literacy should be introduced both offline and online in a three stage process: Elementary Financial Education – Creating awareness on basic banking, insurance and financial products along with concepts of net present value, time value of money, compounded interest, calculating risk and returns taking various micro and macro factors.

Sector specific financial information – financial products are ranging within various sectors – banking, IT, Pharma, Metals, Infrastructure and others. A basic handbook (FAQs, Instruction Manuals) guiding them on strategic issues, handling, monitoring and accounting them for taking calculated risk to maximize revenue.

Product specific Information by the representatives from the companies to disclose complete information about the product, terms and clauses of contract and various features. Thus it encircles around disseminating information and redressal of grievances from the organization. If the customer wants to seek more information they can register themselves at a higher level with ombudsmen or regulators.

Information at doorstep of the customers both offline / online plays a crucial role in eliminating the physical barriers for achieving active participation in financial planning through

integration of technology and knowledge at common platform. Mobile apps in multilingual format including various relevant audio video material catering both educated and illiterate sections of society.

New and existing financial products should be customized for the target group through advertising and representatives as per their financial sources and requirements for both working and non working groups.

Workshops/seminars for creating financial competencies, assessing and calculating risk and return to build positive attitude for financial literacy eliminating the psychological threats.

Take small steps investing through private financial set ups having a budget plan taking guidance from professional advisors (relationship managers) for a comprehensive long term goal as per age, salary, goals of life and other aspects.

XII CONCLUSION

India is standing at the doorstep of a major economic turnaround. It is lacking the required Financial Literacy among the citizens who can initiate the step bringing capital to make the ends meet. Women, being the foundation of any society, play a strategic role in framing the economic and socio cultural setup of any country. Thus Women who are playing now a submissive and passive role in financial planning have to be educated and motivated to stand for themselves and help the nation too.

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XIII APPENDIX

Null Hypothesis (H₀) – There is no significance difference between the level of financial investments made by working and Non working women in Bhopal.

Alternate Hypothesis (H₁) - There is a significance difference between the level of financial investments made by working and Non working women in Bhopal.

Annual Financial Investments :	Working Women	Non Working Women	Total
Rs 0 to 10,000	2	5	7
Rs 10,000 to 25,000	5	12	17
Rs 25,000 to 50,000	8	6	14
Rs 50,000 to 1,00,000	9	5	14
Rs 1,00,000 & above	6	2	8
	30	30	60

Degree of Freedom : $(r-1)(c-1)$
 $(5-1)(2-1) = 4$

Actual	Expected	O - E	(O-E) ²	(O-E) ² / E
2	6	-4	16	2.6667
5	6	-1	1	0.1667
8	6	2	4	0.6667
9	6	3	9	1.5
6	6	0	0	0
5	6	-1	1	0.1667
12	6	6	36	6
6	6	0	0	0
5	6	-1	1	0.1667
2	6	-4	16	2.6667
			84	14.0002

Chi square value at 0.05 level of significance and 4 degree of freedom is 9.48772904 while our calculated value is 14.0002

Hence we reject the null hypothesis.