

RESEARCH ARTICLE

Financial Literacy of Indian Women Professionals: A Socio Economic Study

Rajesh Saundarya¹, Ekambaram Karthik, Rakesh Anju*

FLEXI Careers India, Udyog Gruhaa", No.10 Raja Nagar, East Coast Road, Neelangerai, Chennai, Tamilnadu, India.

*For Correspondence-mail: anju@avatarcc.com

Abstract

The knowledge of how money works in the world that equips one with the skill sets necessary to earn, save, budget and invest money collectively constitute the financial literacy of an individual. Living in an economy marred by inflation and buying commodities off markets with sky rocketing prices, it is important that every Indian with an earning prowess is literate enough to intelligently and sensitively handle his/her personal finances. Our study is placed in this context and examines specifically the financial literacy levels of Indian Women Professionals (IWP) who are fast becoming significant and active participants of the economy. With almost a quarter of urban India's workforce being women (24%) [1], the amount of money that the current generations of women handle are significantly higher as also their financial autonomy. The research examines four critical dimensions of financial knowledge (save, budget, earn and invest) on the basis of how a woman professional's social, economic and employment profiles impacted her knowledge intensity in saving, budgeting, earning and investing. The results of this research showed that from novices to experts, Indian women exhibited varying levels of confidence in each of these parameters determining 'financial literacy'; women were most confident of their abilities to earn (43%) and least on their abilities to invest (33%). With socio economic research proving that money in the hands of women tends to bring greater benefit to their families and in turn to the country, it is important that IWPs, their employers and families divert their conscious efforts in equipping women with greater financial knowledge for the best interests of the Indian economy.

Keywords: *Budgeting, Economy, Earning, Financial literacy, Indian Woman Professional (IWP), Investing, Saving.*

Introduction

The earning power of women is a relatively new phenomenon in the Indian socio cultural milieu and this can be attributed to the employment avenues thrown open by the liberalization-privatization- globalization wave over the last two decades. 42% of university graduates in India are women [2] as is 27% of entry level workforce in India, Inc [3]. These numbers are indicative of greater educational attainments of women; but how knowledgeable are they, financially? This is what the study aims to unearth by exploring the literacy levels on 'money matters', of Indian women with diverse socio economic educational profiles.

With dual income households becoming quite popular in the urban segments of the country and women managing a significant amount of money across many such households, IWPs take part in activities pertaining to saving, budgeting and investing money (what they earn or their families earn) more than ever, today. A 2009 study noted that, "Women's spending priorities differ from

men's, with women notably more likely to buy goods and services that improve the family's welfare. Thus, as women gain decision-making power, household spending patterns are likely to shift. Household savings rates are also likely to rise." [4]. This means that it is extremely important that women are informed enough when taking critical decisions with regards to saving or investing or budgeting and their choices are smart enough to bring them the returns they desire of.

Women world over are less confident of their financial skills than men; their working knowledge of their financial portfolios are limited, reports another recent research [5]. This is especially true in the case of married women. Though many women earn as well as their spouses in a "dual income, dual career couple", they are not equipped enough with the appropriate money management skills probably owing to their innate lack of confidence imposed by years of gender stereotyping. Gender roles that our society prescribes to views money

management as *'unfeminine'* and when a gender that is extremely conscious of family security and wellness grows up to financially illiterate, the results can be devastating. In a 2013 study undertaken by VISA, India women stood 19th in their levels of financial literacy amongst women from 27 participating countries; women from Brazil and Australia emerged the most literate of the lot [6]. Yet another report on gender differences in financial literacy revealed that women's knowledge were significantly lower than that of men in the OECD countries [7].

To improve the economical empowerment of women as also their opportunities and general well being, the need to address their financial literacy can thus not be overlooked. Wikipedia defines financial literacy as *"the ability to understand how money works in the world: how someone manages to earn or make it, how that person manages it, how he/she invests it (turn it into more) and how that person donates it to help others"* [8]. Accordingly, the four critical dimensions of money management identified for 'measure of financial literacy' in this study were a) Earning b) Saving c) Budgeting d) Investing. As earliest experiences of money handling can shape a woman's perceptions to the need for acquiring financial knowledge, the financial role models in the life of an IWP were also studied. The study explored how a women's marital status (her 'social' profile), her earning power (her 'economic profile) and her nature of employment (her 'employment' profile) impacted her extent of financial knowledge.

After a brief overview of the nature of the study and the demographic distribution of the survey respondents, we present the business case in favour of greater financial literacy of women. This is followed by the key findings of the study and a list of recommendations based on them. The conclusions form the final segment of this paper.

Business Case for Greater Financial Literacy of Women

According to the World Economic Forum's Gender Gap Index 2012, India's overall rank was a dismal 105 of the 135 countries with available data. In terms of disparity in the economic participation between both the genders, we were ranked even lower-123 [9]. This could be because of the male-female wage gaps, the falling female labour force participation rate and the society's inherent unwillingness to acknowledge, appreciate and enable the ability of a woman to earn amongst other reasons. Despite the fact that India as a country has been able to largely close the gap

between educational attainments of men and women, we have really not succeeded in sustaining a woman's power to earn. Further establishing this truth is the fact that the gender pay gap between urban males and female workers in India is almost Rs.70/day. While male wages on an average male in urban India is Rs. 377.16/day, that of the urban female is Rs. 308.79/day [10]. Furthermore, according to a 2009 study by Goldman Sachs, an Indian woman's earning as a proportion of that of an Indian man's is just 31% [4]

Research shows that investing time and effort in women's earnings has a lot of pluses. An increased number of women in the workforce (an increase in their earning power) imply that India's GDP could go up by as much as 27%, per capita income could go up by as much as 20% by 2030 [11]. As women have a natural tendency to invest their incomes in children's education and health, the economy grows alongside a healthier and better educated younger generation. Family's living conditions improve, stronger communities are forged and the journey to prosperity is set. More women in government could boost economic growth as women are more likely to spend money on improving health, education, infrastructure and poverty according to [12].

With a female labour force participation rate of 35% in urban India [13], it is expected that earnings of women professionals is significant to households in a context of sky rocketing 'cost of living(s)'. Research shows that women and men have notably different preferences in household purchases. Their approaches to household budgeting are diametrically opposite. Numerous studies show that men spend more of their income on items for their own consumption, including alcohol, cigarettes and high-status consumer goods. Women are more likely to purchase goods for their household and specifically for their children, including food, healthcare, education, clothing and personal-care products [14]. It is therefore important that women are able to budget their earnings judiciously and spend them at the right quarters, to maximise the benefits involved.

Clever investments can help women secure their financial futures. While it is desirable to seek expert advice with regards to investment options, especially in a context in which financial institutions have multiple competitive options with special privileges for women, it is important that every IWP is able to make the final decision on her own, keeping in mind her long term goals

and ambitions. It will also help a woman manage adversities if they unfortunately occur, for e.g. the demise of her spouse/partner/parent who was her financial guru or a divorce that involves settlement of shared finances.

About the study

The foundation for this research was a questionnaire that required women professionals to share their views on various aspects of their economic centeredness. The study was conducted leveraging the online platform – via social media and personal contacts. Women belonging to different age groups and based out of cities/towns all over India took the survey. IWPs who handled vastly different quanta of money (with incomes less than a lakh to incomes over 20 lakhs) were amongst the respondents. There were women working full time, those on career breaks and self employed women too. Married women and single, those from nuclear families and joint were part of the survey. These IWPs also had remarkably different socio, economic and educational profiles which increased the study sample diversity. They

were specialised in areas as diverse as IT, accounts, HR etc.

Respondent Specifics

A total of 502 Indian women took this survey. 47% of them were aged 30-40 and another 35% were in the age group 20-30. 65% of them were professional women, 10% were entrepreneurs and 27% were homemakers. Almost 50% of them held professional post graduate degrees. As for the type of employment – 50% were employed full time, another 13% in part time and flexi time arrangements, 17% were on career breaks. 69% were currently married, 23% were single and 8% previously married. 55% of women who took the survey hailed from South India; 23% from north, 15% and 6% from west and east respectively. Over 28% of IWPs were HR personnel, another 25% in IT, 22% were accountants and the rest were specialised in areas as diverse as marketing, sales, quality control etc. The following figure shows the distribution of women based on their personal incomes:

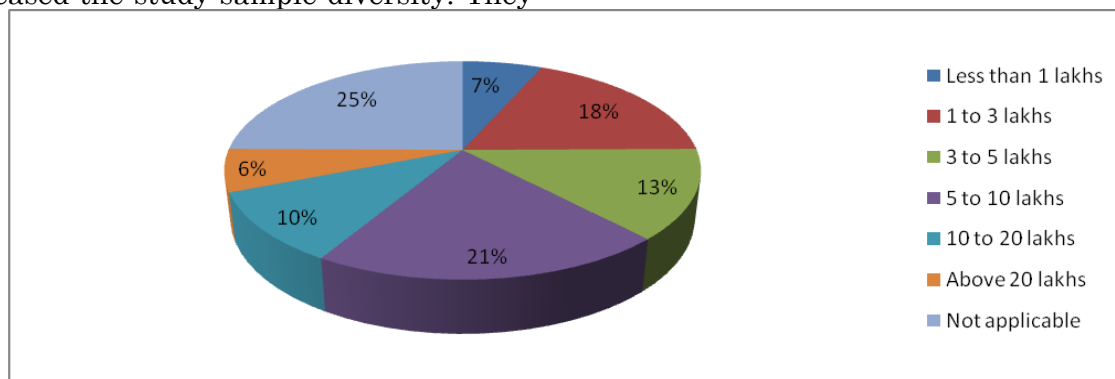


Fig. 1: Distribution of women based on their personal incomes

It may be noted that a quarter of the women who underwent this study had no personal income (probably those who were on career breaks, others who were students and a few homemakers who did not have a structured personal income); 21% were in the 5-10 Lakhs income bracket. The number of women in the higher income brackets (10-20 lakhs and over 20 lakhs) was significantly lesser.

Key Findings

In this section, we detail the key findings this research emerged with. The findings have been sectioned on three distinct perspectives namely.

• A 'Social' Perspective

In the Indian socio cultural milieu, the most defining social perspective for a woman perhaps is

her marital status. The state of being single, married or widowed/divorced can significantly impact a woman's financial aspirations as also her levels of confidence in handling money. This logic drives the examination of an IWP's literacy levels in earning, budgeting, saving and investing on the basis of her marital status.

• An 'Economic' Perspective

From 27% of Indian women occupying entry level positions in the corporate sector to 5% women on boards, the income band that best describes their salary ranges is fairly wide; from less than 1 lakh to more than 20 lakhs per annum, for the purpose of this study. While women earning significantly higher might enjoy a greater autonomy over their earnings and are relatively more proficient in money handling, this perspective will also give an estimate of the confidence levels of women

earning lesser and an indication of the areas in which they may require handholding.

• An ‘Employment’ Perspective

The type of employment – part time/full time/flexi time can also create significantly different knowledge levels with regard to money in an IWP. This may be because of the differences in the quanta of money she handles, the demands of her profession or because of her different associations with money. It was hence decided that this perspective will help bring to light the salient relationships between the nature of an IWP’s job and her financial literacy.

The result analyses follows.

Financial Literacy of IWPs: A ‘Social’ Perspective

Of all the women who were part of this survey, 67% were currently married, 21% previously married and 12% were single. With a majority of the responding IWPs being married, it might be interesting to examine how marriage impacts a woman’s financial literacy levels – does she choose

to be dependent on her spouse on decisions regarding money or does she evolve to be a more confident professional from a mutually enriching relationship – one in which financial decisions are made jointly? These were some of the questions the study sought to answer.

In Fig.2 are detailed the confidence levels of IWPs in earning as per their marital statuses. Women who are currently married are the most confident of the lot (44%) and a greater proportion of them are competent (41%). Previously married women have a larger number of experts amongst them (10%) than the other subgroups. It may also be noted that 43% of single women are confident of their earning prowess and 35% consider themselves competent; this speaks of the greater levels of ambition amongst the younger women professionals, who we assume constitute the majority of the single women. However 15% of them admit they are novices. 17% of previously married women also admitted to being novices in earning; this could probably because of them staying financially dependent during the course of being married and not being able to completely utilise their potential to earn.

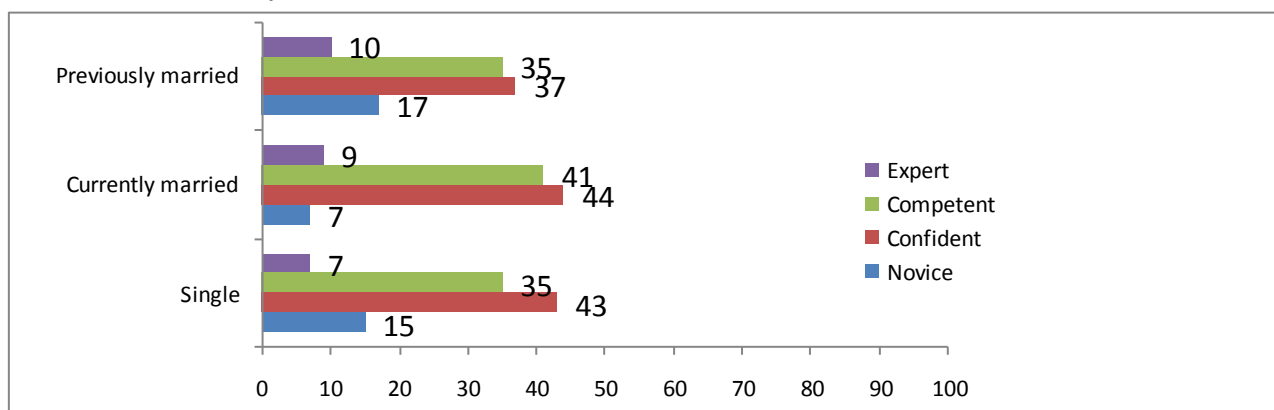


Fig. 2: Expertise of IWPs in earning, according to their marital status

As for budgeting, Fig. 3 shows that it is the married women and those who were previously married who had a larger number of experts – 15% and 17% respectively. Moreover, 42% of previously married women and 38% of currently married women also considered themselves competent in budgeting. This could be because as they are likely to have greater hands on experience in household budgeting and are accustomed to diverting funds for multiple allowances – household expenditure, children’s education etc., they develop greater competence and expertise in the process. In spite of 14% of single women considering themselves to be novices in budgeting, 49% were confident of their budgeting capabilities. This could be indicative of their intent for better financial planning.

In Fig.4 are shown the literacy levels of IWPs in saving money. It may be noted that it is the previously married women amongst whom there are a greater number of experts -22%, 40% are confident about saving and 27% are competent. This may be attributed to the fact that previously married women are independently responsible for the financial future of themselves and their families, more so if they have children, and are keener on developing their faculties in saving. Women who are currently married closely follow heels – 19% were experts and 32% were competent. With the responsibility of a household being partially thrust on them, currently married women seem to be more conscious of the need to save and methods to do so. 23% of single women were novices in saving money,

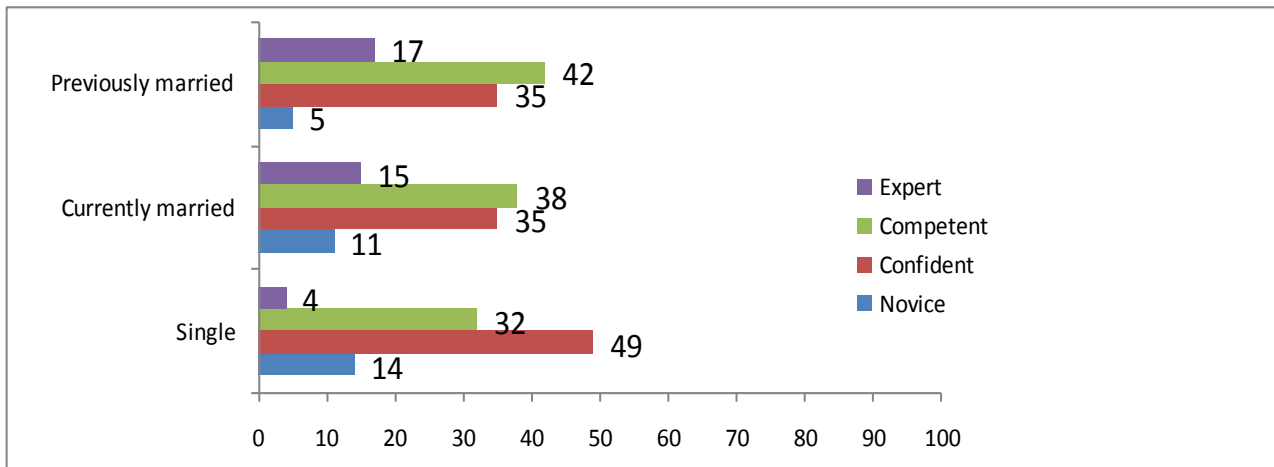


Fig. 3: Expertise of IWP's in budgeting, according to their marital status

only 10% considered themselves experts. It could be because their current circumstances do not require of them to necessarily save money and

hence they are yet to explore avenues to do so; however 34% are confident indicating that many single women are not ignorant about the value of money and are keen on saving.

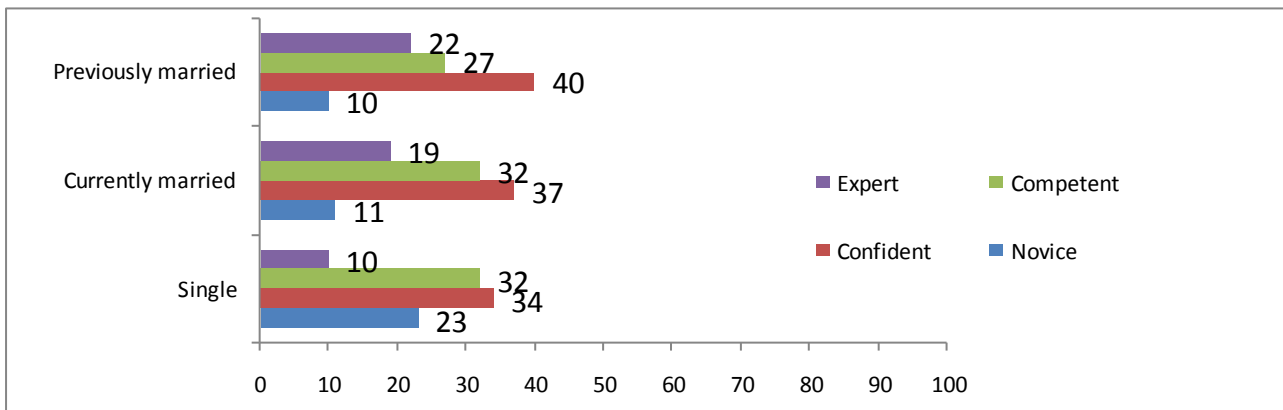


Fig. 4: Expertise of IWP's in saving, according to their marital status

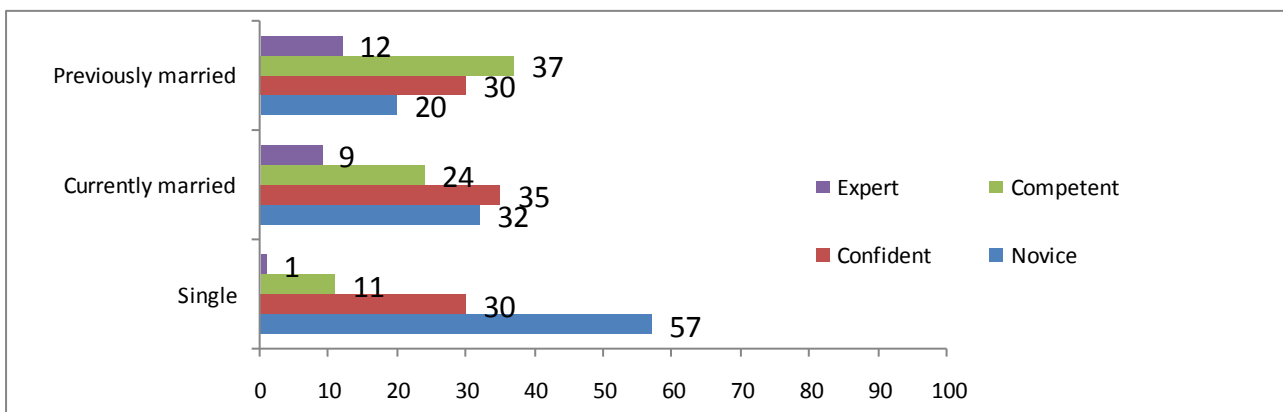


Fig.5: Expertise of IWP's in investing, according to their marital status

Fig.5 illustrates the knowledge levels of the sample of IWP's in investing money. 20% of previously married women and 32% of currently married women admitted to being novices. Only 12% and 9% of the two groups were experts, indicating that Indian Women continue to be largely ignorant of investment choices and consider it a man's domain. Mutual funds or stock markets still seem to be unintelligible words to a

vast majority of women, with only 1% of single women rating themselves experts; more than a half of the single women (57%) admitted to being novices. The confidence levels were highest amongst currently married women (35%), probably because they were involved in investment options in regular consultation with their spouses.

Financial Literacy of IWPs: An 'Economic' Perspective

Indian Women Professionals earning anywhere between one lakh rupees to over 20 lakh rupees per annum were part of this study. This window of wages can be segmented into several discrete income bands, each of which will represent IWPs with a specific earning power. As the amount of money you handle on a regular basis can influence your expertise in financial matters, the income bands were chosen to inspect the financial literacy levels of women from an 'economic' perspective. In the charts illustrated in this section, the category of 'Not Applicable' refers to IWPs who did not have a steady personal income currently – these could be women on career breaks or those who are not employed currently. From Fig.6 it can be inferred that as the personal income increases, so does her expertise and

competence in earning money increases. 34% of women earning over 20 lakhs rated themselves experts in earning as also 18% of women earning between 10 to 20 lakhs. 52% and 55% of IWPs earning over 20 lakhs and between 10-20 lakhs were competent in earning. There weren't any novices in earning amongst women of the highest income bracket; 6% of the second highest income bracket (10-20 Lakhs per annum) felt they were novices. Though the percentage of experts in earning were few amongst women earning 5 Lakhs or lesser; their confidence levels are reassuring. 60% of women earning between 1 and 3 lakhs per annum and 55% earning between 3 and 5 lakhs were confident of their ability to earn. It will be a reasonable assumption that these women are representative of IWPs at the threshold of their careers.

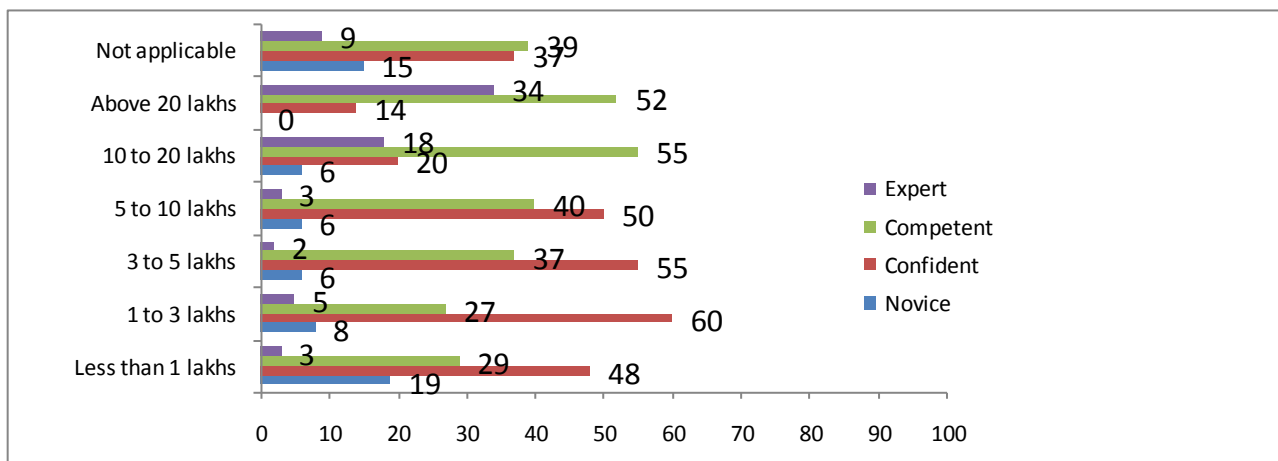


Fig. 6: Expertise of IWPs in earning, according to their personal income

Knowledge in budgeting is also directly proportional to a woman's personal income, as per the results in Fig.7. Women earning 20 lakhs or higher had the maximum number of budgeting experts as also those competent enough – 21% and 48% respectively. The IWPs in the 10-20 lakhs per annum earning bracket had also a fair share of expert and competent women – 16% and 39% respectively. This could be attributed to their wealth of experience in managing and allocating funds which they have gained over the years (The assumption is that women who fall in these income brackets are those in senior corporate positions in relation to the rest). It is also interesting to note that women earning 3 lakhs or lesser (1-3 lakhs per annum and <1 lakh per annum brackets) have fewer novices in budgeting (only 8% and 10% respectively). This could be because they are accustomed to a leaner income annually and have learnt to allot budgets in the most optimal manner, gaining confidence and competence in budgeting in the process.

Fig.8 illustrates the literacy levels of IWPs in different income bands with relation to saving. Once again women who earn higher (over 20 lakhs and between 10 to 20 lakhs annually) are more proficient in saving – 34% of women earning over 20 lakhs per annum and 16% of women earning between 10 to 20 lakhs felt they were experts in saving. It may be assumed that given their greater earning power, they have the choice of saving a good share of their earnings after the expenditures they are responsible for are taken care of. Women who earn between 5-10 lakhs had 20% of them rating themselves as novices in earning. 19% of women earning less than a lakh annually and 15% of those earning between 1-3 lakhs per annum were also novices in saving. This may be because their limited earnings need to be devoted largely to cover their expenses and they are yet to acquire mastery over the art of saving. Lastly, in Fig. 9 are shown the levels of expertise IWPs earning differently have in matters related to investments.

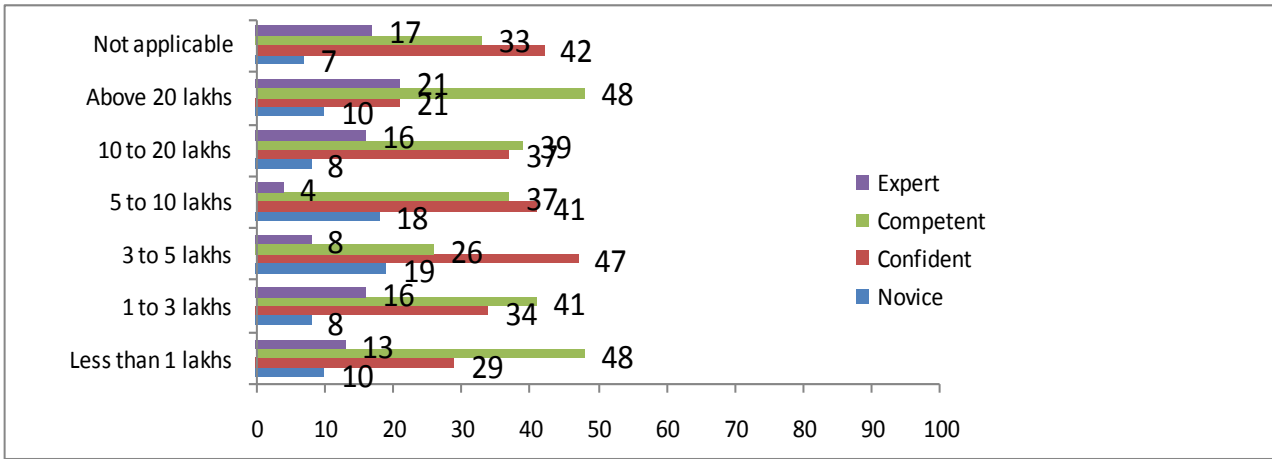


Fig. 7: Expertise of IWPs in budgeting, according to their personal income

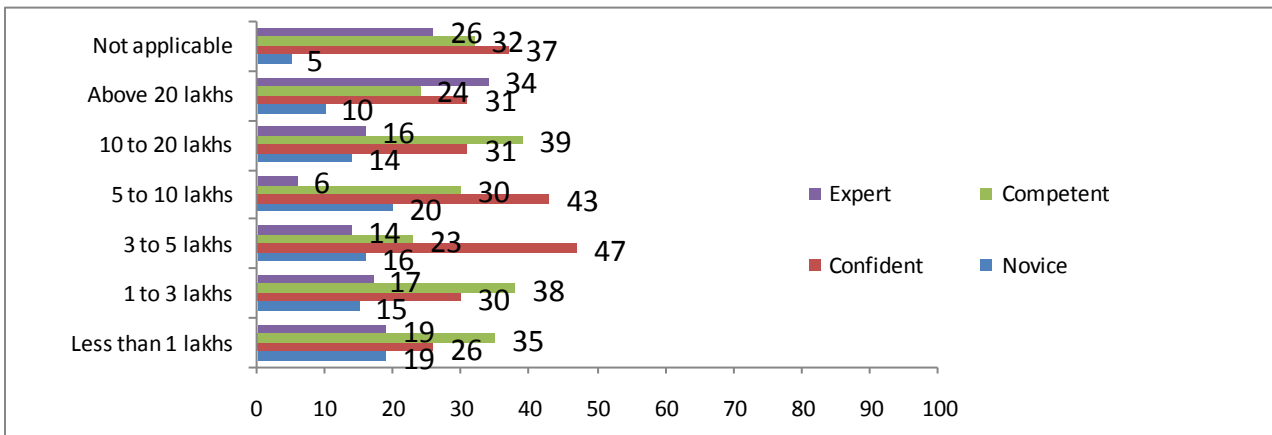


Fig.8: Expertise of IWPs in saving, according to their personal income

IWPs earning 10 lakhs or higher have a greater number of experts – 17% are experts in the above 20 lakhs per annum category and 10% are experts in 10-20 lakhs category; 31% and 28% of women in the two sub groups respectively rated themselves competent. However women with

lower incomes had fewer experts in investment (none in the less than 1 lakh category, 3% in the 3-5 lakhs category). This could be because these women professionals are still in their earlier stages of their careers and are yet to gain knowledge over the myriad investment options their seniors are aware of.

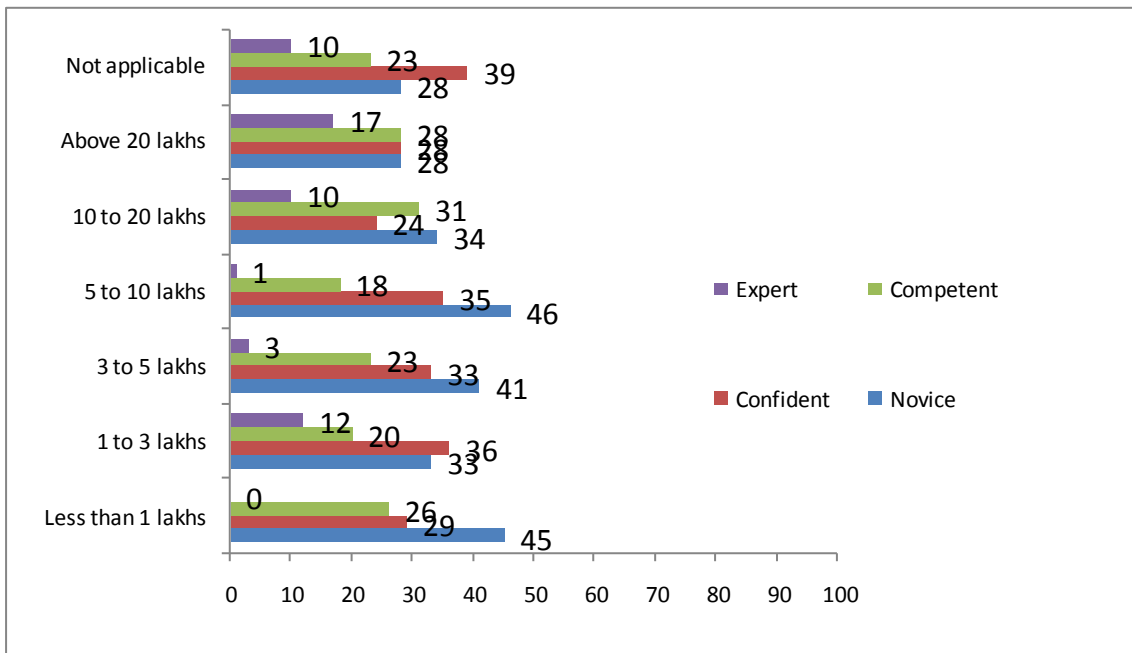


Fig. 9: Expertise of IWPs in investing, according to their personal income

Financial Literacy of IWPs: An ‘Employment’ Perspective

The kind of employment a professional is in can influence her levels of exposure in matters financial and consequently relate to her financial literacy levels. Around half of the women who were part of this survey were working full time, 13% were working part time or flexi time, and over 35% were currently not employed or were on career breaks. A woman’s confidence in various aspects of money management might be significantly impacted by the nature of her job and hence the third perspective.

As is clear from Fig.10, women who were working full time, flexi time or part time had more experts in earning than women who were currently on

breaks or those who were not working – 9%, 10% and 9% respectively. It may be noted that women professionals who were flexi workers had a good percentage of them competent and confident in earning (45% and 42% respectively). Also, 43% and 39% of those employed full time were confident and competent respectively in earning, indicating that they are quite intentional about improving their earning capabilities through rising career graphs. Amongst those who were not working, 18% admitted to being novices in earning; however 40% were confident of their ability to earn as also 41% of women on career breaks which goes on to show that many such women have the confidence to create (or resurrect) their careers and regain their potential to earn.

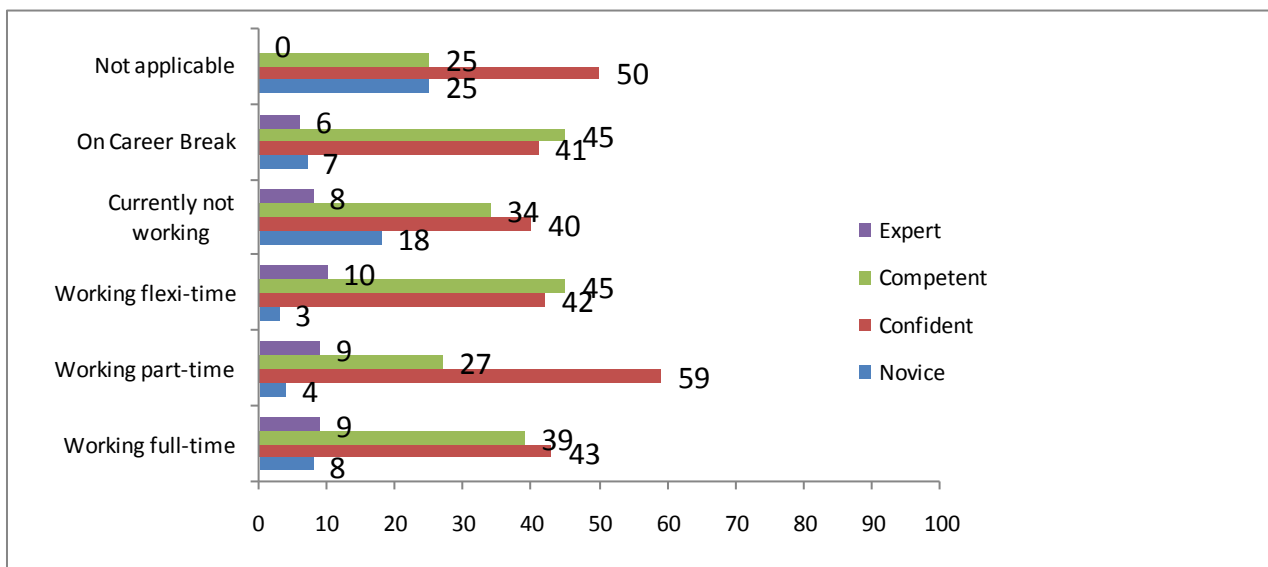


Fig.10: Expertise of IWPs in earning, according to their employment type

As per the results in Fig.11, it may be understood that more women who are on career breaks or are currently not working (16% and 17% respectively) rate themselves as experts in budgeting as against employed women (only 12% of full time workers, 9% of part time workers and 8% of flexi time workers called themselves experts.). This could be because women who are on career breaks or are not employed tend to spend more time in managing household budgets and thereby have gained greater expertise in it; such women also exhibited relatively higher confidence in budgeting. In fact, there are maximum number of novices amongst the women who are employed full time (16%) leading us to believe that such women are not entirely satisfied by their abilities to budget probably because of the pressures of juggling home and work.

Coming to Fig.12, it can be understood that expert savers are more prevalent amongst women who are not currently working or are on career breaks

-19% and 24% respectively. This may be because as such women are not assured of recurrent monthly incomes, they are more conscious of the need to save for secure financial futures. 16% of women who work full time are experts; 36% confident about saving and 29% competent. However 18% of women employed full time are novices in saving – this could be because a number of IWPs employed full time who took this survey are just beginning their careers and are yet to learn intelligent and smart ways of saving money. 46% of flexi workers were confident of their ability to save money and another 33% said they were competent in saving, as also 45% and 32% respectively of part time workers.

Fig. 13 shows the literacy levels of IWPs in different modes of employment with regard to investing. It is surprising to note that 46% of IWPs employed full time rated themselves to be novices in investment as against

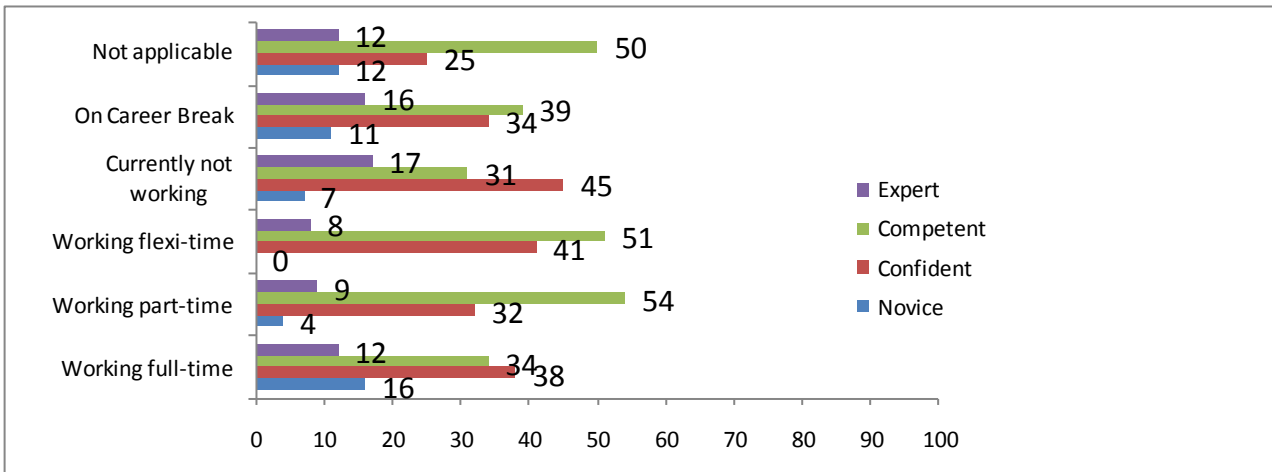


Fig. 11: Expertise of IWPs in budgeting, according to their employment type

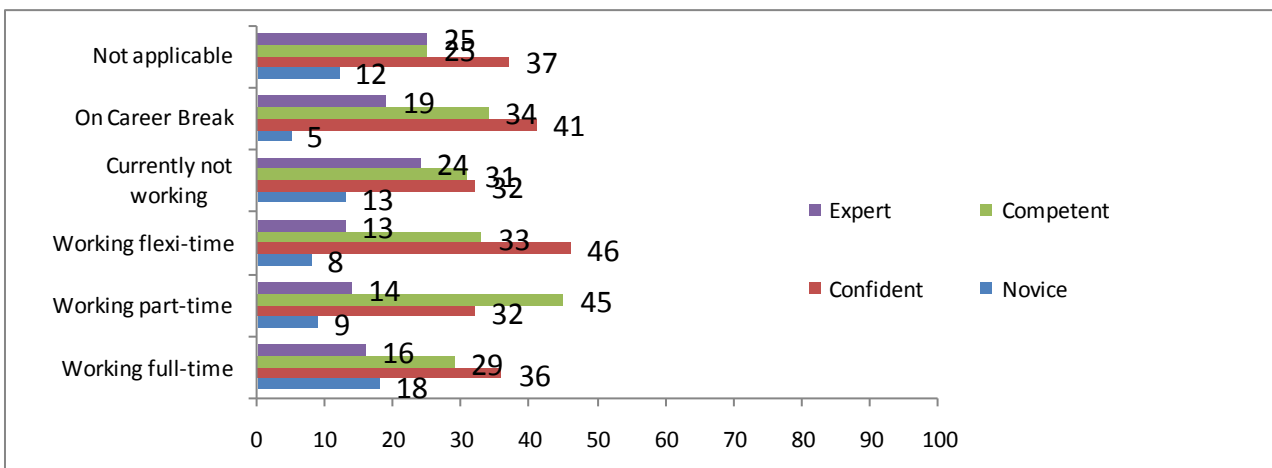


Fig.12: Expertise of IWPs in saving, according to their employment type

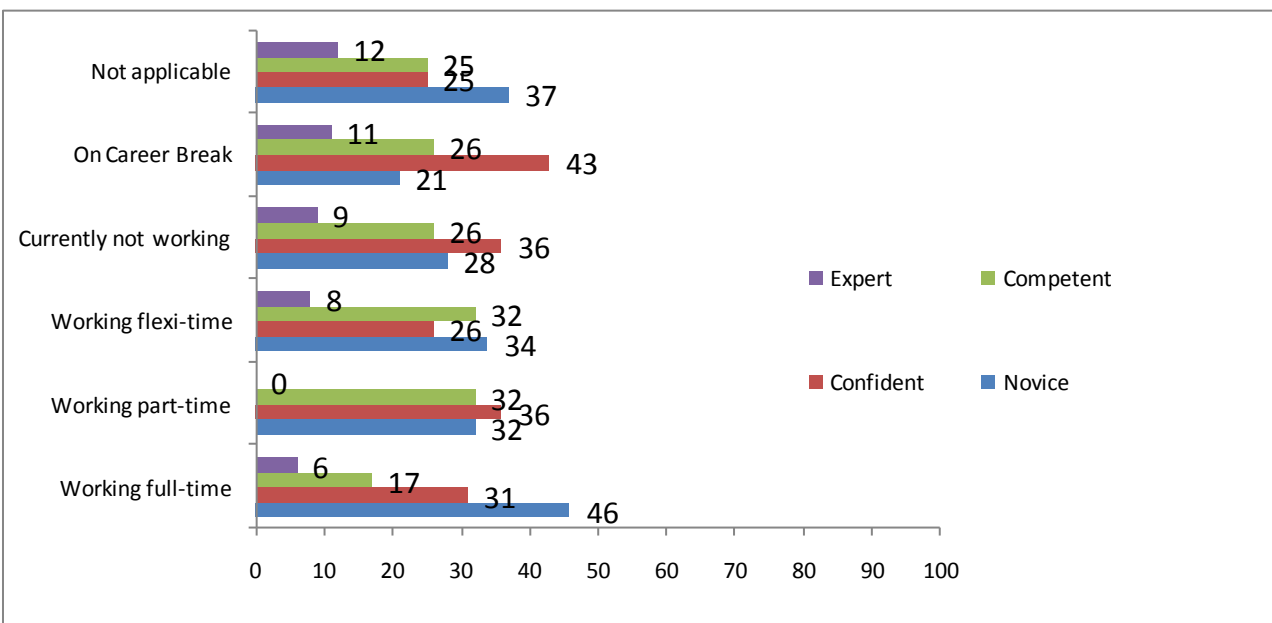


Fig.13: Expertise of IWPs in investing, according to their employment type

lesser percentages in other categories. A larger proportion of women who are not currently employed rated themselves as experts in investing (11% of those on career breaks and 9% of those not working as against 6% of full time workers and 85 of flexi workers) indicating that many of these women professionals on career sabbaticals

do devote time to learn about investment options as against their employed counterparts who are hard pressed for time. Even in terms of confidence in making wise investments, it was the class of women who are currently not employed who showed greater confidence.

Other Significant Findings

The analyses of results provided other significant discoveries some of which are listed below:

- Less than 50% of women were proficient in any area of financial knowledge – the least when it

came to investment – 36% were novices, only 7% were experts. Maximum expertise was in saving -18%. In table 1 are given the detailed competency levels.

Table 1: Financial literacy levels of IWPs (Overall)

Expertise →	Novice	Confident	Competent	Expert
Earning	9.5%	43.2%	38.8%	8.4%
Budgeting	11.5%	38.4%	37.1%	13.0%
Saving	13.7%	37.0%	31.5%	17.9%
Investing	36.4%	33.7%	22.3%	7.6%

- Even though 87% of IWPs who were studied had money of their own, only 67% managed it themselves, the others relied on their spouses, parents or siblings for money management. This means that though many Indian women have become fairly independent financially, may still preferred to outsource their money management schemes.
- Women who were married followed their spouses' model of money management than anybody else's; however around 40% of women opined that when it came to judicious investment of money, women were better than men.
- When questioned on an interest in seeking professional guidance in money management, only a little over half of the women surveyed replied in the affirmative (52%) indicating that a good percentage of women still view the avail of such services as luxury and not a necessity.

Recommendations

As only experience can bring about expertise, especially in matters pertaining to money, India women need to become more aware of the flow of money they earn and own. Just as women have learnt to guard and honour their health, wealth too needs to be safeguarded with the earning power of women being expected to increase in the coming years. IWPs should let go of all inhibitions they have on acquiring financial knowledge, enrol for formal courses when required and utilise every opportunity that comes their way in being more

financially knowledgeable. Families on their part should involve young girls in their financial decision making processes (from managing simple household budgets to complex investment plans). This can ensure that these girls grow up to be confident professionals of tomorrow who know their way with money. While equal pay for equal work should be the norm of every employer keen on gender inclusivity, it will help if organizations make available access to professional guidance in money management to its women employees (Men being natives of the corporate world and women being second generation immigrants, it may mean that women are more in need of help than men.). Collective efforts can ensure a generation of economically empowered and financially literate women, who could act as torchbearers to a prospering economy.

Conclusions

The findings show that though gender differences will continue to exist in the way money is handled, a woman's personal and professional ecosystems need to pay attention to improving her financial literacy as a precursor for a tomorrow in which both genders are equally economically empowered. In the best interests of the country's progress, efforts need to be directed in imparting financial knowledge to young girls who can then serve as role models to the generations of women to follow. To bridge the current gap between economical empowered-ness of the two genders, the Indian Women Professionals have a huge role to play in acquiring, mastering and disseminating financial knowledge.

References

1. Inderfurth KF, KhambattaP (2012) India's Economy: The Other Half," CSIS.
2. Süßmuth-Dyckerhoff J. Wang and Chen J (2012) Women Matter: An Asian Perspective," McKinsey & Co, 2012.

3. Bagati, 2010 India Benchmarking Report, Catalyst, 2010.
4. Lawson S, Gilman DB (2009) The Power of the Purse: Gender Equality and Middle Class Spending, Goldman Sachs.
5. Landers J (2014) Financial Literacy: The Key To Every Woman's Financial Stability," 2014. [Online]. Available:<http://www.forbes.com/sites/jefflanders/2014/03/06/financial-literacy-the-key-to-every-womans-financial-stability/>.
6. Visa's International Barometer of Women's Financial Literacy," 2013.
7. RFLAET Fund, "Women and Financial literacy," 2013.
8. "Financial literacy," [Online]. Available: http://en.wikipedia.org/wiki/Financial_literacy. [Accessed 2014].
9. R. Housmann LD Tyson, Zahidi S (2012)The Global Gender Gap Report," World Economic Forum.
10. NSSO (2010) Key Indicators of employment and unemployment in India 2009-2010, NSSO Reports," NSSO, 2010.
11. Aguirre L, Hoteit C Rupp, Sabbagh K (2012) Empowering the Third Billion Women and the World of Work In 2012," Booz & Co, 2012.
12. Women in the workforce: The importance of sex," 12 April 2006. [Online]. Available: <http://www.economist.com/node/6800723>.
13. Süssmuth-Dyckerhoff C, Wang J, Chen J, Women matters: An Asian perspective.
14. Lawson S, Gilman DB (2009) The Power of the Purse: Gender Equality and Middle Class spending," Goldman Sachs.