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Financial Literacy among Women in Kerala:a Rural – Urban Comparison

Athira Binod
Department of Economics, Sacred Heart College (Autonomous), Ernakulam, Kerala, India.

ABSTRACT: *Financial literacy refers to the knowledge and understanding of financial concepts thereby resulting in the ability to make informed, confident and effective decisions regarding money. Concerns about financial literacy has increased in recent years, and many countries have embarked on programmes and other research initiatives to measure the current level of financial literacy, to introduce and to enhance financial literacy among their people. From the various studies conducted across the globe, it is found that the levels of financial literacy worldwide is unacceptably low and also there exists a gender gap with regard to financial literacy. That is, women lag behind men in terms of financial literacy. The same is observed in India also. In India women constitute 46% of total population but majority of them are denied the opportunities and rights due to their financial dependence. Financial illiteracy is the reason for this. Financial literacy will enable women to understand their own financial rights and responsibilities, and their opportunities for income generation and the associated risks and costs involved. This paper is mainly an attempt to analysis the levels of Financial Literacy among Women in Kerala. Also, the extent of rural – urban difference in financial literacy, the influence of socio-demographic variables on financial literacy of women in Kerala is studied here. The paper uses data from both desk research and the primary data, which is collected by interviewing the respondents with the help of a structured questionnaire.*

KEYWORDS: *Financial literacy, socio demographic variables.*

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I. INTRODUCTION

Financial literacy means the possession of knowledge and understanding of financial matters. It is mainly used in connection with personal financial matters. Financial literacy generally entails the knowledge of properly making decisions pertaining to certain personal finance areas like real estate, insurance, investment, savings, tax planning, and retirement. It also involves intimate knowledge of financial concepts like compound interest, financial planning and the mechanics of credit card, advantageous savings methods and consumer rights.

The need for financial literacy has grown as a result of the increasing complexity of financial products and services and concerns that many people do not have the necessary skills to make informed choices. Also to become financially literate, one requires advices and services to be available, accessible, useful and usable.

The main objective of financial literacy is "spreading it amongst the poor, especially women by building their financial awareness, knowledge and skills to enable them to manage their finances and thereby making them financially self-reliant and provide them a better and secured future"(L, Rajarajeswari, 2014)

Women are engaged in both formal and informal sectors and are rising as a more important force in the economy. The effective participation however needs to be an informed participation. Financial literacy among women becomes an important part of this process, regardless of the income constituency to which they belong. There needs to be a better understanding of their financial rights and responsibilities, their opportunities for income generation and the associate risks and costs involved. This is particularly important for India, where rapid economic and financial transformation is occurring. The introduction of financial literacy will thus help women to manage transactions to their advantage, promote their greater engagement in the current economic environment, and prepare them for the future.

II. METHODOLOGY

For this study a descriptive research design method is used. Both the types of source of data, primary and secondary are used. Women belonging to the age group 18-60 in Kerala form the population of the present study. The households in Ernakulam districts are considered as the sampling unit. This is a comparative study in which the difference in the level of financial literacy among is compared between a rural and urban region and for that purpose the Cochin Corporation and Elamkunnapuzha Panchayat were taken as the respective urban and rural areas using a multi-stage random sampling technique. 75 questionnaires were distributed in each area using

non-probability sampling techniques.in total, 150 respondents were selected and required information was collected from them personally, with the help of a non- disguised and pre-tested structured questionnaire.
The current study adopts the OECD framework for the questionnaire. A performance test is also conducted in order to measure the basic financial literacy of the respondents. It include questions about interest rate, compounding, inflation effects, time value of money, risk diversification etc.
In order to analyze data, various response categories for financial literacy statements were assigned scores. The scoring pattern for the current study was adopted from Aggarwal. N et. al. 2014.
The scoring pattern is as follows:

- Correct answer – 3
- 'Do not know' – 2
- Wrong answer – 1

'Do not know' answers are given higher scores because admitting 'don't know' is something less dangerous than not knowing something and claiming the opposite. With this scoring scheme, individuals can score a maximum of 30 (all correct answers) and a minimum of 10 (all wrong answers).Respondents who scores 25 and above (approximately 83% and above) are considered to have sound financial literacy. Those with scores ranging from 20 to 24 (approx. 67% to 83%) are considered to have fair financial literacy. Those with score below 20 (below 67%) are considered as having poor financial literacy. Pearson's chi-square test was applied to check for any association between financial literacy and socio - demographic characteristics of the respondents. All these tests have been conducted in order to substantiate the results obtained from observing the various tables in the study.

III. DISCUSSION

Compared to the other states in India, Kerala's path and model of economic development is famously different.

According to the 2011 census, Kerala has the highest female sex ratio; i.e. 1084 females per 1000 males. Kerala got selected as the 'State of States' in 2013[1] based on the criteria of GDP, Governance, health, education, etc. Kerala's 10 percent rise in GDP is 3 percent more than the national GDP. Kerala has the highest literacy rate of 93.9 percentages with 92.7 percentages of highly qualified or educated women (2011). Even the female workforce participation in Kerala is 25.6 percentages (2011). All these facts give us the impression that women in Kerala can have a high level of financial literacy.

A few peculiar circumstances in Kerala are apparent at the outset:

First, the women in Kerala have been both the drivers and beneficiaries of SHG oriented development. About 98 percentages of the SHGs in Kerala are women groups (Jaya.S.Anand, 2002). Irrespective of their income and education status, they have been entrepreneurs and managers. It can be safely assumed from this that the degree of knowledge on financial matters is very vital in this case.

Second, the participation of women in the Panchayati Raj institutions has been more pronounced in Kerala. Their active participation has brought about remarkable changes in women themselves, their families and their immediate community. Depending on the degree of devolution of funds to these bodies, women have to take important decisions on the management of these funds. Thus awareness on financial matters is crucial in this case also.

Third, a major chunk of Kerala's income is coming from abroad. In case of families in the lower strata, the pattern of migration is such that women stay back in Kerala while men seek jobs abroad. Here also women face the challenge of managing the money for the family which is earned by their husbands. So a proper knowledge on financial matters is quite necessary. But are they well equipped to make financial decisions? Do they possess adequate financial literacy and knowledge?

So far there has been little research on this topic and the existing studies (most of which are restricted to developed economies) indicate that financial illiteracy is widespread and individuals do not possess the knowledge of even the most basic economic principles (see Lusardi & Mitchell, 2006). The existing studies also show that individuals who are not financially literate tend to borrow at higher interest rates (Moore, 2003; Gartner & hinterland. Todd, 2005; Stango & Zinman, 2007; Lusardi & Tufano, 2009), fail to refinance mortgages when it would be optimal to do so (Agarwal et al., 2009), acquire fewer assets, tend not to plan for retirement (Lusardi & Mitchell, 2007a), and are less likely to invest in tax-favored assets (Lusardi & Mitchell, 2008; Lusardi & Tufano, 2009). They also have the tendency of not participating in formal financial systems and are more likely to depend on family and friends for financial advices (Rooij et al., 2007). At the same time,

[1] In 2003, India Today undertook a study to track the performances of Indian States based on various parameters of quality of life of states. This is the 'State of State Conclave'. And Kerala has won this title in 2013.

there are concerns that households are not saving enough, are accumulating excessive debt, and are not taking advantage of financial innovations (Lusardi & Mitchell, 2007a).

A large number of initiatives are therefore being developed to address this issue and countries are increasingly rolling out national strategies on financial literacy. In India, the Reserve Bank has been aggressively working to increase the financial knowledge of the general population. The goal is similar to that set out by the OECD: …to help consumers "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" (OECD, 2005). Reserve Bank of India has also introduced Financial Literacy and Counselling Centers (FLCC) to provide consumers with the tools to make better credit choices (Reserve Bank of India, 2008). However, a RBI study shows that there is little awareness among people about these centres. The education material at these centres also goes little beyond the individual bank's publicity material (Nayak, 2012).

IV. FINDINGS

Information regarding residential location, age, marital status, family size, monthly income, educational qualification, and occupation are presented in Table I.

Regarding the residential location of the respondents, it has been observed that out of 150 respondents, 75 respondents (50 percent) were from the rural area and the remaining 75 (50 percent) from the urban area. That is equal share of samples have been taken from both the rural and urban areas.

Regarding the age range of the respondents, it has been found that 39 (26 percent) respondents belong to the age group of 18-30 years, 20 (13 percent) were from the age group 31-40 years, 60 (40 percent) respondents belong to the age group of 41-50 years and the remaining 31 (21 percent) respondents belong to the age group of 50-60 years. It can be observed here that, majority of the respondents belong to the age group of 41-50 years. Region wise distribution of respondents on the basis of their age is given below.

On analysing the marital status, it is seen that 103 (68 percent) respondents were married, 28 (19 percent) were single and 19 (13 percent) were separated or widowed. The share of married respondents is more in the urban area as compared to the rural area. But the share of single and separated or widowed respondents is seen more in the rural areas.

Regarding the family size of the respondents, it has been observed that 106 (71 percent) respondents had a family size of up to 5 members while 44 (29 percent) had a family size of more than 5 members in their family. This indicates that most of the respondents run a nuclear family.

In case of the monthly income of respondents, 41 (27 percent) respondents had a monthly income of below Rs.10000. 72 (48 percent) of them had a monthly income between Rs. 10000-50000 and the rest 37 (25 percent) respondent's monthly income was above Rs.50000.That is, almost 50 percent of the respondents had a monthly income between Rs. 10000 and Rs. 50000.

While considering the educational qualification of the respondents, about 12 (8 percent) respondents were highly educated (above Post Graduation). 27 (18 percent) respondents were Post Graduates, 42 (28 percent) of them were under graduates, 33 (22 percent) were educated up to 12th standard (HSC), 22 (15 percent) were educated only up to 10th standard and the remaining 14 (9 percent) had only high school or primary level education. The share of respondents above Post Graduation, Post Graduation and Under Graduates were more at urban area and the share of Higher Secondary, SSLC (10th), and below SSLC respondents were more at the rural area. No respondents qualified below SSLC were seen at the urban area.

And finally, regarding the occupation of the respondents, 16 (11 percent) of the total respondents were self employed, 63 (42 percent) of them were in-paid employees, 11 (7 percent) of them do not have any job currently and they were looking for work. 43 (29 percent) respondents were looking after their home, 8 (5 percent) respondents were retired employees and 9 (6 percent) were students. It is found out that more than 40 percent of the respondents were in-paid employees followed by those who look after home. The share of self employed rural respondents is too low as compared to that of the urban respondents.

Table I: Demographic/Economic profile of respondents

Socio economic category	Type	Number of respondents		Percentage
Residential location	Rural	75		50
	Urban	75		50
	Total	150		100
		Rural	Urban	Total
Age (years)	18-30	21 (28%)	18 (24%)	39 (26%)
	31-40	13 (17%)	7 (9%)	20 (13%)
	41-50	30 (48%)	30 (40%)	60 (40%)
	51-60	11 (15%)	20 (27%)	31 (21%)

		Rural	Urban	Total
Marital status	married	44 (58%)	59 (78%)	103 (68%)
	single	17 (23%)	11 (15%)	28 (19%)
	Separated/widowed	14 (19%)	5 (7%)	19 (13%)
		Rural	Urban	Total
Family size	Up to 5 members	55 (73%)	51 (68%)	106 (71%)
	More than 5 members	20 (27%)	24 (32%)	44 (29%)
		Rural	Urban	Total
Monthly income	Up to 10000	32 (43%)	9 (12%)	41 (27%)
	10000-50000	35 (47%)	37 (49%)	72 (48%)
	More than 50000	8 (10%)	29 (39%)	37 (25%)
		Rural	Urban	Total
Educational qualification	Above PG	5 (7%)	7 (9%)	12 (8%)
	PG	8 (11%)	19 (26%)	27 (18%)
	UG	12 (16%)	30 (40%)	42 (28%)
	HSC	18 (24%)	15 (20%)	33 (22%)
	SSLC	18 (24%)	4 (5%)	22 (15%)
	Below SSLC	14 (18%)	0 (0%)	14 (9%)
		Rural	Urban	Total
Occupation	Self employed	1 (1%)	15 (20%)	16 (11%)
	In paid employment	33(44%)	30 (40%)	63 (42%)
	Looking for work	7 (9%)	4 (5%)	11 (7%)
	Looking after home	25(33%)	18 (24%)	43 (29%)
	Retired	3 (5%)	5 (7%)	8 (5%)
	Student	6 (8%)	3 (4%)	9 (6%)

(Source: Primary data)

Table II shows the level of financial literacy among the surveyed respondents. It is observed from the table that 43 percent respondents were having sound financial literacy, 39 percent were having fair financial literacy, and 18 percent have poor level of financial literacy. In case of rural sample, 25 (33 percent) respondents have sound financial literacy, 37 (49 percent) have fair financial literacy and 13 (18 percent) have poor financial literacy. In the urban sample, 39 (52 percent) were having sound financial literacy, 22 (29 percent) have fair level and 14 (19 percent) have poor level of financial literacy.

Table II: Financial literacy of respondents

	RURAL	URBAN	TOTAL
Sound	25(33%)	39(52%)	64(43%)
Fair	37(49%)	22(29%)	59(39%)
Poor	13(18%)	14(19%)	27(18%)

(Source: Primary data)

As discussed earlier, an effort was made to check the association between the level of financial literacy and the demographic variables of the surveyed respondents. Table 3 presents the results of Chi-square test. The test is conducted on the null hypothesis that the level of financial literacy is associated with each of the demographic variables. For those variables the p value greater than 0.05, the null hypothesis is rejected and for those variables with p value less than 0.05, the null hypothesis is accepted.

Table III: Association between financial literacy and demographic variables

Socio economic category	Category	Financial Literacy			Pearson's Chi-squwere
		Sound	Fair	Poor	
Residential location	Rural	25	37	13	6.913 (p = 0.0315)
	Urban	39	22	14	
		Sound	Fair	Poor	8.506 (p = 0.2033)
Age (years)	18-30	14	20	5	
	31-40	8	9	3	
	41-50	30	21	9	
	51-60	12	9	10	

		Sound	Fair	Poor	1.688 (p = 0.7928)
Marital status	married	44	38	21	
	single	12	12	4	
	Separated/widowed	18	9	2	
		Sound	Fair	Poor	21.734 (p = 0.0002)
Monthly income	Up to 10000	7	20	14	
	10000-50000	33	29	10	
	More than 50000	24	10	3	
		Sound	Fair	Poor	20.825 (p = 0.0223)
Educational qualification	Above PG	9	2	1	
	PG	12	11	4	
	UG	25	13	4	
	HSC	10	16	7	
	SSLC	6	9	7	
	Below SSLC	2	8	4	
		Sound	Fair	Poor	21.710 (p = 0.0167)
Occupation	Self employed	9	5	2	
	In paid employment	35	24	4	
	Looking for work	2	6	3	
	Looking after home	11	18	14	
	Retired	3	2	3	
	Student	4	4	1	

(Source: Primary Data)

After testing the hypotheses using Pearson's Chi-square test, it is confirmed that the financial literacy levels of the respondents were not associated with their age and marital status. However, there exist an association between their residential location and financial literacy ($p < 0.05$). That is, respondents from the urban area were more financially literate than those from the rural area. Similarly, a strong association existed between the respondent's educational qualification and their financial literacy ($p < 0.05$). Respondents with higher educational qualification tended to have higher levels of financial literacy. Strong association exists between respondent's occupation and financial literacy ($p < 0.05$) also. Finally, it is found that financial literacy levels of respondents were associated with the monthly income of the respondents ($p < 0.05$). The acquisition of financial literacy involves a cost. The more a respondent earns the more advantageous he/she is in the acquisition of financial literacy. That is, those who earn more were expected to have high levels of financial literacy. So it is concluded that financial literacy levels of the respondents were associated with their monthly income.

V. CONCLUSION

The findings from this study confirm that financial literacy is composed of a combination of knowledge, skills, and dispositions that appear to be gender-related and that also appear to be related to access to varying types and levels of financial resources. It was found from the study that women in Kerala have a reasonably fair level of financial literacy. The Kerala model of economic development has shown its brighter side in this regard also. Out of the various socio demographic variables analysed, it has been found out that educational qualification, occupation, monthly income and residential location. Women who are highly educated, well employed with a high monthly income and are living in the urban areas are found to have higher levels of financial literacy than others. But initiatives must be taken to improve this levels further.

In the absence of any women specific study in this regard, especially from Kerala, this study was taken up to provide evidence on the financial literacy levels of women in the state of Kerala. To the best of our knowledge, this is a first study of its kind in the state of Kerala. The findings can serve as a benchmark for any training programme in the provision of financial knowledge and skills to Women and a basis for policy formulation in this regard.

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