

# Financial Literacy In India: A Socio-Economic Analysis

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The empowerment of women has been a major concern for the government and found its place in all government policies. Social, political, economic and financial upliftment is essential to improve their position in the society. Financial literacy is one such area which can be helpful in attaining this goal. Women, who are excellent managers at home, can efficiently manage their finances and thus contribute to the development of the economy and society. Women in India are still lagging behind men in financial literacy. Many social, physical, and economic barriers are obstructing their financial independence. The paper makes a study of the state of financial literacy among females in India and also provides suggestions to improve financial literacy among them.

**Keywords:** Financial literacy, investment, social and economic status, barriers.

## Introduction

Women are the home makers and successfully make and manage the budget of their home. However, when it comes to make financial decisions regarding investments, they are dependent on males, be it their father, brother or husband. Such a situation boggles one's mind as to why the financial expert at home is not practising her expertise in the outside world. India has been ranked among the fastest growing economies of the world. To accelerate this growth process further it is essential for India that all the resources of the economy contribute towards it and it becomes the strongest economy of the world. In India women have been constrained to the domestic boundaries in the past and have started stepping out recently, working along with their male counterparts towards social and economic development of the country.

Empowerment of women is an essential requirement towards an inclusive economy and society. Women, which constitute almost half of the population of India, can contribute effectively towards the socio-economic development of the country. They should be made economically and socially independent so as to enable them to participate efficiently in the progress of their family, society and economy. One of the major factors which promotes their socio-economic upliftment is financial literacy which develops self-confidence in them to face different economic and social challenges independently and successfully.

The male and female divide can be experienced in the field of financial literacy worldwide. There is a gender gap of five points as the percentage of financial illiteracy in males is 65% whereas it is 70% in females. The same situation exists in India with a much wider gap as 80% of women are financially illiterate and 73% males are financially illiterate (S&P Global Financial Literacy Survey, Dec 16, 2015). Hence, there is a dire need of financial literacy both for males and females but since females are subject to suppression and domestic violence, making them financially strong is of utmost importance.

## Review of Literature

Comprehensive research of literature has been done to know the state of financial literacy and causes responsible for financial illiteracy in India. Joshi (2013) found that financial literacy in India has started increasing but combined efforts by different financial institutes are still needed to promote it among lower income groups. Mathivathani and Velumani (2014) in their study on rural women in Tamil Nadu came to the conclusion that financial literacy of marginalized rural women is very low. Increase in financial literacy would help women in taking better financial decisions and proper utilization of financial products and hence, contribute in social, economic and personal development. Deka (2015) concluded that women empowerment would be strengthened through financial literacy and banks should contribute to it by taking innovative measures. Shobha and Shalini (2015) in their research on women of Bengaluru explored the fact that women prefer safe instruments for investment instead of riskier one such as mutual funds, shares, stocks etc. due to lack of

proper knowledge regarding various investment options. Arora (2016) conducted a study on working women of Rajasthan and brought about the fact that women are not very aware of financial planning tools and techniques. National Strategy for Financial Education 2020-25 discusses the definition, gap and progress in the area of financial literacy and '5c' action plan to achieve the strategic objectives. The studies indicate that the level of financial literacy is very low in India and needs urgent attention. The paper will try to study the current situation of financial literacy in India and bring out the causes responsible for its slow growth and provide suggestions for its improvement.

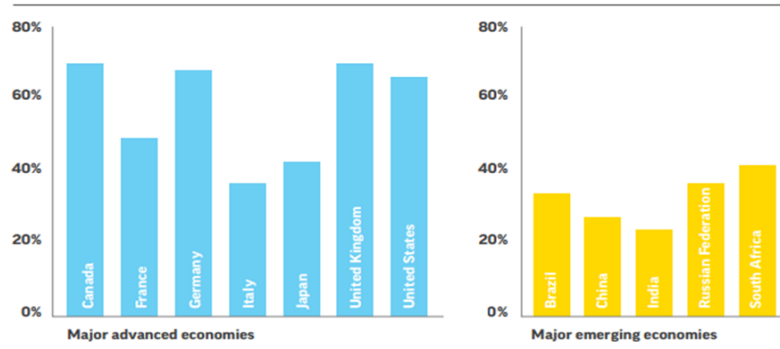
<b>Objective of the Study</b>	<p>The objectives of the paper are</p> <ol style="list-style-type: none"> <li>1. To study financial literacy among females in India in the present times.</li> <li>2. To find out financial literacy among females.</li> <li>3. To analyse various reasons responsible for low financial literacy among females.</li> <li>4. To provide suggestions for increasing financial literacy among females.</li> </ol>
<b>Research Methodology</b>	<p>The paper uses a culmination of secondary and primary data. Secondary data is used for describing various theoretical concepts and analysing the present situation. A survey, in the form of a quiz, is conducted on 194 female college students of rural-urban setting, to collect primary data regarding financial literacy among females.</p>
<b>Financial literacy</b>	<p>Financial literacy is the knowledge about money and its management i.e., financial management, making a budget, tax planning and how, where and when to make an investment. Merely earning money is not sufficient but it is equally important to make a proper use of money earned in order to make it productive and sustainable. As per the Organisation for Economic Cooperation and Development "Financial literacy encompasses aspects of knowledge, attitude and behaviour covering the range of context as money management, planning for short- and long-term financial goals and awareness and choice of financial product (OECD 2012). The Reserve Bank of India has illustrated financial literacy as the ability of understanding various products of financial markets and evaluate risks and profits attached with them to make a better choice. Thus, the concept of financial literacy comprises of financial knowledge, financial behaviour, and financial attitude (NSFE 2020-25)</p>
<b>Importance of Financial Literacy</b>	<p>The concept of financial literacy especially among women has been attaining greater importance in the changing scenario of modern times. It is an essential aspect which needs to be addressed for their financial, social and cultural independence. More and more women are crossing the barriers of domestic life and have started earning. They should be well aware of how to save, invest and spend their income keeping in mind the future requirement and emergencies. The knowledge of financial management will enable them to manage the expenditure of their household more efficiently, since they take care of day-to-day expenses. One more factor that makes financial knowledge essential for women is that they have longer life expectancy than their male counterparts and should be prepared for any future emergency. The increasing cost of living also requires that financial resources should be cleverly managed so as to fulfil the present needs as well as saving for the future requirements. Since the changing government policies have shifted the risk regarding financial security towards individuals, women who are more vulnerable to such risk, need more planning. Thousands of investment and retirement plans are available in the market. To choose the right plan as per one's need, financial literacy is important. Financial illiteracy can incur significant losses in the form of high interest rates on loan, longer term payment of loans. More transaction fees, low interest rates on investment, many hidden costs etc. In older times the concept of joint family was prevalent and hence no one individually bore the losses or profit. Moreover, combined decisions were taken regarding the family expenditure and children's education. Nowadays the concept of nuclear family has substituted joint family and risk is to be borne by two members. Smart and intelligent investment is necessary to avert the risk of job loss or meeting the increased education cost of the children. The literacy among the females positively affects the upbringing of the child and helps in inculcating</p>

good habits among them. Similarly, the children of financially literate mothers learn this aspect, too.

**Financial literacy among Females in India**

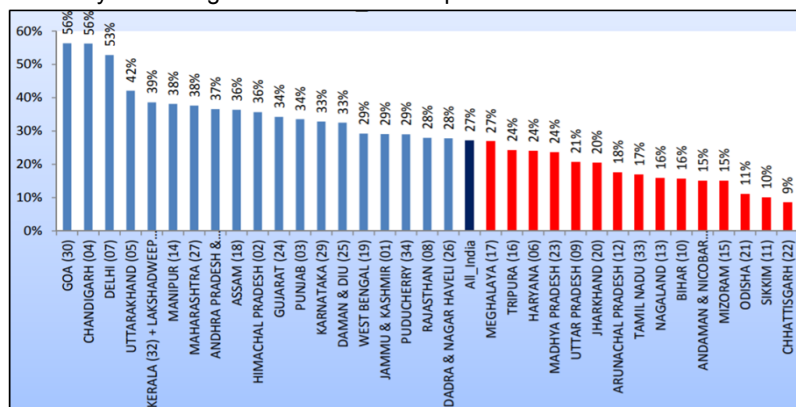
The financial literacy among males is 35% whereas it is 30% for females, globally. The financial literacy in India, which is 24%, is lowest among the major advanced as well as emerging economies as per the report of S&P Global Financial Literacy Excellence Centre.

Financial literacy in different countries



Source: S&P Global FinLit Survey by GFLEC

As per NCFE Financial Literacy and Inclusion Survey 2019, India has the overall financial literacy at 27%. A disparity can be seen in the financial literacy among various states of India. Whereas, Goa, Chandigarh and Delhi have the highest financial literacy, Odisha, Sikkim and Chhattisgarh have the lowest rate of financial literacy. Rural-urban divide exists in financial literacy as 33% urban and 24% rural respondents are found financially literate. There is a gender gap in financial literacy in India as per the report. 29% male respondents are financially literate against 21% female respondents.



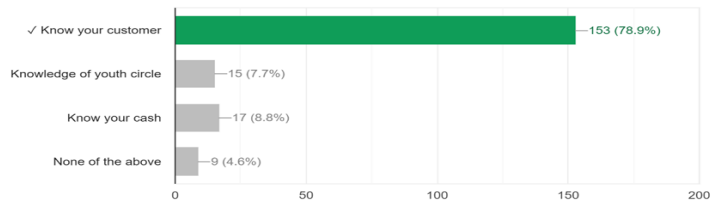
Source: NCFE Financial Literacy and Inclusion Survey 2019

**Survey**

According to the report of NCFE Financial Literacy and Inclusion Survey 2019, the 18-29 age-group is the most financially literate group. To know the financial literacy in this group a survey has been conducted among the female college students of rural-urban background in which very basic questions regarding financial literacy has been asked. The outcome of the quiz is as follows:

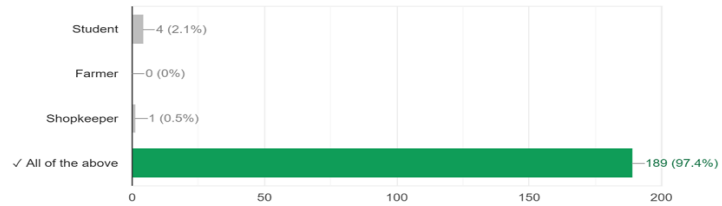
What is the full form of KYC?

153 / 194 correct responses



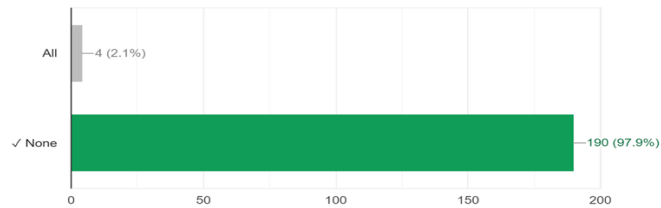
Who can open a bank account?

189 / 194 correct responses



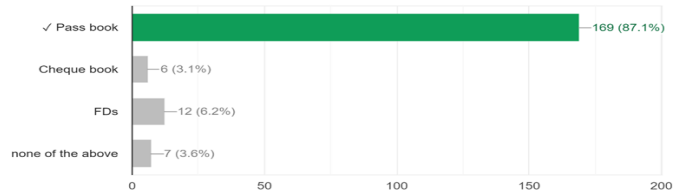
ATM password can be shared with

190 / 194 correct responses



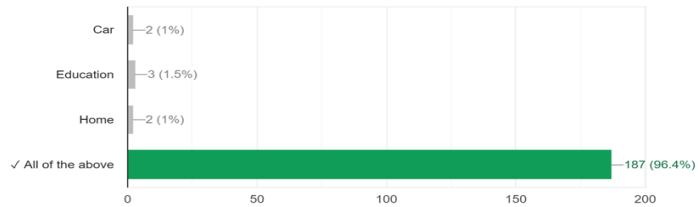
Saving account transaction details are shown in

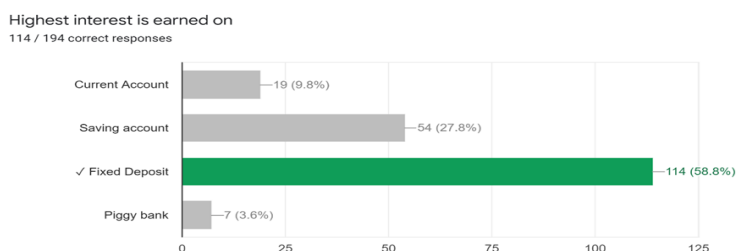
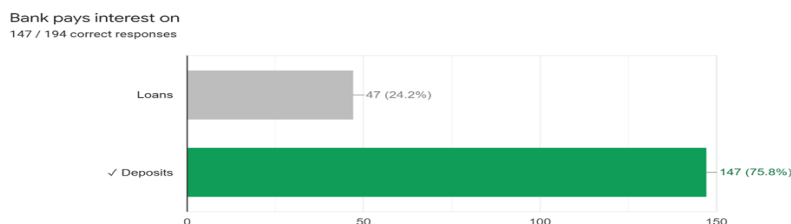
169 / 194 correct responses



Bank provide loans for

187 / 194 correct responses





The survey indicates that though the questions are very easy in nature and the respondents are educated even then the percentage of correct responses range between 78% to 97%. Two questions regarding the interest have a lower percentage of correct responses. The survey clearly affirms the necessity of advanced financial literacy among females which can prepare them for financial decisions.

#### Reasons for low financial literacy among females

In the above discussion the dismal condition of financial literacy among females in India has been brought about. The factors responsible for the same are:

#### Low social status:

In India, the social condition of women has never been very good. They were not assigned an equal status as their male counterparts and were constrained to the boundaries of the house. Males were the wage earners and females were majorly dependent on them. They kept the responsibility of financial management in their hands and never let the females become aware and independent in financial transactions.

#### Financial Constraints

In today's world a high percentage of women are still non-working. They do not earn and hence are excluded from the financial matters and decisions. Even if they are earning, their earnings are not much and are spent on the daily family expenditures. They do not think of investing the remaining meagre amount. The above situation prompts women to develop an indifferent attitude towards financial awareness.

#### Low level of literacy

As per the Census 2011, the literacy rate in India is 74.04% which is 82.14% for males and 65.46% for females (Census 2011). Still about 35% of the females are illiterate and many have literacy up to primary level which makes it difficult for them to understand the complex financial concepts and their calculations. The literacy rate among females 30 years back in 1991 was merely 39.29%. This is the female population which has attained the age that makes financial decisions.

#### Risk averse attitude

The financial decisions involve an element of risk. Either the investment can prove to be profitable or incur loss. Women are generally risk averse and hence transfer the responsibility of financial management to males. They never try to learn various concepts regarding financial transactions and investments.

**Suggestions**

Women should understand that financial independence is necessary to establish their identity. It will not only increase their social status but will also imbibe the confidence to confront violence against them. Women themselves have to realize this importance and work towards increasing their financial knowledge. Social and cultural change in the male dominated society is essential to promote their status and independence. Society is fast changing but women have to grab it in their favour. Increase in literacy is a must to promote financial literacy. Courses on financial literacy should be included in the curriculum from childhood so that they can understand its importance and start learning the concepts. More awareness regarding various government schemes, retirement plans and investment should be created. Financial services should be provided at home in areas where females cannot approach banks or financial institutions. Separate counters for females by females in banks can be made where they can make investments themselves after understanding the schemes.

**Conclusion**

Financial literacy is a basic necessity for women empowerment. Government has been working rigorously towards improving their condition. Changes are visible in the social, economic and political scenario and women have started exhibiting their potential in different areas thus contributing to the economic development of the country. However, to further strengthen their status in the society and economy, financial independence should be achieved. Urban and highly educated women are more financially literate than rural and less educated women. More attention is to be given to this vulnerable section so that the objective of financial inclusion of the government is achieved and each and every resource of the economy contributes in its development along with their own betterment.

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