

GENDER DIFFERENCES IN FINANCIAL LITERACY

Dr. Nitika Bhandari¹, Dr. Suman Nayyar²

¹Assistant Professor, Department of Commerce, Khalsa College for Women, Amritsar, Punjab

²Assistant Professor, Head of Department of Commerce, Khalsa College for Women, Amritsar,
Punjab

ABSTRACT

The study has been made with the objective of finding the differences in level of financial literacy of males and females in Amritsar city. To accomplish the objectives various scholarly articles published in renowned peer reviewed journals and conferences reviewed. A sample of 200 people especially youth (in age group of 20-35) has been selected using judgmental and randomized convenience sampling methods. The data has been collected using questionnaire and it has been analysed with the help of SPSS using chi-square test. The results have shown that there is significant difference in the level of financial literacy gender wise. As Financial Literacy is very important aspect so measures should be taken for improvement in financial literacy especially in women. While women have made tremendous paces over the last century in several areas that contribute to long term financial health, particularly in attainment of higher education and participation in the workforce, they are still lagging in one key area: financial literacy, which is widely considered to be an important skill for accumulating wealth.

KEYWORDS: Decision Making, Finance Management, Financial Literacy, Gender, Youth.

I. INTRODUCTION

Financial Literacy has assumed greater importance in recent years with the increasing complexities in financial products and financial markets. Financial Literacy is ability to process the financial information and make informed decisions about personal financial matters like proper investment, saving and planning for retirement security. Financial literacy includes the set of skills and knowledge that allow understanding:

- A. The financial principles for making informed financial decisions
- B. The financial products like bank accounts, mortgages, retirement savings plans and basic investments like stocks, bonds and mutual funds that impact financial well-being.
- C. Respond competently to changes that affect everyday financial well-being and making good financial choices about saving, spending and managing debt.

The ability to evaluate the new and complex financial instruments and make informed judgements in both choices of instruments and extent of use that would be in their own best long run interests (Mandell, 2007). These days women perform a number of activities outside their households in addition to domestic and childrearing roles all around the world. They are taking a no. of decisions in families and communities. They are also engaging in businesses. But still they are lacking in financial decision making and the reason behind is the low financial literacy among women. To better navigate an economy it becomes necessary to make all individuals financially literate whether they are male or female. The purpose of this paper is to understand the level of financial literacy among women, the gender difference in financial literacy The lack of Financial Literacy impact negatively on the future lives of people through incomplete financial management.

As per Reserve Bank of India, financial literacy is “the capacity to have familiarity with an understanding of financial market products, especially reward and risks in order to make informed choices.” Lusardi & Mitchell (2011a) defined financial literacy as “the knowledge of basic financial concepts and ability to do simple calculations”. OECD, 2014 defined financial literacy as the “knowledge and understanding of financial concepts and risks, and the skills, motivation and confidence to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve the financial well-being of individuals and society, and to enable participation in economic life”. OECD, 2015 defined financial literacy as “A combination of awareness, knowledge, skills, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being”. An increasing number of studies investigate the effect of financial literacy on financial decision-making. Individuals with low financial knowledge are found to be less likely to plan for retirement (Lusardi and Mitchell, 2007, 2008, 2009, 2011). Moreover, households with low financial literacy are less likely to invest in risky assets such as stocks or bonds (Van Rooij et al., 2011a; Yoong, 2011) and are more likely to make financial mistakes such as borrowing at high rates (Lusardi and Tufano, 2009a; Agarwal et al., 2009).

Nowadays policy reforms and financial development are increasingly putting individual incharge of making key decisions such as saving for retirement etc. People especially women generally lacked in basic skills in the management of personal financial affairs. There is also a large number of studies that point to the difficulties that women face with financial decision-making. Women are less likely to plan for retirement and accumulate lower amounts of financial wealth (Lusardi and Mitchell, 2008). As men and women differ with regard to financial literacy, they respond differently with regard to economic outcomes. So, it is important to understand the gender gap in financial literacy. Roy and Jain, 2018 reported that the females are highly ignorant about the recent financial innovations in the market and are highly risk averse.

II. REVIEW OF LITERATURE

- **Chen and Volpe (2002)** analyzed 900 usable student responses from 14 universities. These individuals pursued distinct degrees and attended distinct campuses. Their findings indicate an overarching lack of financial literacy. However, students majoring in business were more knowledgeable about personal finance than students majoring in other disciplines.
- **Lusardi and Mitchell (2007a)** find that the more educated students are about financial literacy the more likely they will answer correctly financial literacy questions.
- **Lusardi and Mitchell (2008)** conducted a study on planning and financial literacy: how do women fare? In the case of elderly women, financial literacy levels were low, and the majority of women did not plan for retirement. However, the relationship between financial knowledge and planning was demonstrated by the findings.
- **Prajakta Joshi (2013)** studied “The Way of Financial Capability is through Financial Literacy: Indian and Global Scenario”. Author attempted to explain financial literacy and its significance, as well as present-day financial literacy activities that are occurring in India and other countries. Her research is descriptive, and she based her findings on secondary data from the World Economic Forum, books, and journals. According to the survey, India's financial literacy is on the rise.
- **V. Mathivathani et al. (2014)** evaluated the Financial Literacy of Tamilnadu's Rural Women. This study examines the level of financial literacy among Tamil Nadu's rural women. Women in this region have a low financial literacy level. They concluded that

financial literacy is low among rural marginalized populations. Women's participation in the workforce is extremely minimal. Research indicates that financial literacy would help women make better financial decisions, financial judgments, and use of financial services and products. It would also assist in the accumulation of wealth, and their personal development would be facilitated by their financial and societal advancements.

- **Ratna Achuta Paluri (2016)** investigated the factors that influence the economic attitudes of Indian women and categorized them based on their attitudes. Only one-third of respondents did not purchase any financial products. The most popular financial products were fixed deposits and insurance and also discovered that cluster 1 is the most appealing to marketers, followed by cluster 3; cluster 4 is the least appealing.
- **Roy and Jain (2018)** examined 150 employed women in the metropolis of Jaipur. Their findings indicate that women are extremely risk-averse and lack knowledge of banking services. In addition, they do not employ a consultant to manage their savings.
- **Kamini Rai et al. (2019)** investigated 394 Delhi-based working women. They analyzed the three major determinants of financial literacy: financial knowledge, financial behavior, and financial attitude, and used path analysis to test their hypothesis. The results indicate that there is a strong association between financial literacy and two independent variables, namely financial behavior and financial attitude, but there is no significant association between the third variable and working women's financial literacy.
- **Solanki and Prasad (2020)** evaluated the financial literacy level of working women in the city of Jaipur based on their financial knowledge, attitudes, and behaviors. Frequency, percentage, and gap analysis were used to analyze the data. The study concluded that they were aware of financial products, but their involvement in financial decision-making is limited due to their traditional beliefs.
- **Gupta and Sinha (2020)** determined the level of financial literacy within 538 women located in the slums of Delhi NCR, and the results indicated that approximately three quarters of the respondents, or 74.33 percent, are financially literate in that area, which is higher than the national average of 20% according to a 2015 survey by S & P. In addition, the results disclosed that women are extremely risk-averse and their preferable instrument is the fixed deposit, followed by the pension plan.

III. OBJECTIVES OF THE STUDY

- A. To study the difference in level of financial literacy gender wise.
- B. To analyse the role of gender in financial decision making.
- C. To investigate the financial literacy level among women in Amritsar.

IV. RESEARCH METHODOLOGY

Descriptive research methodology has been used to accomplish this study. Descriptive research can use qualitative or quantitative methods to describe or interpret a current event, condition or situation.

A. Collection of data: For the study both primary and secondary data have been collected, analyzed tabulated and presented in a lucid manner. For collection of primary data, judgemental and randomized convenience sampling has been used. For collecting secondary data books, research papers, Journals, magazine and internet etc. have been considered. The primary data was collected with the help of a structured questionnaire.

B. Questionnaire development: The questionnaire consists of two sections:

Section 1 consists of multiple-choice questions test targeted specifically at the personal financial skills and Section 2 is Demographic profile of the respondents.

V. DATA ANALYSIS AND INTERPRETATIONS

Data collected from respondents has been analyzed through SPSS 18.0. The data analysis and interpretation, as given below, has been presented under various headings to make it more clear and understandable. Ten questions have been asked from the respondents to check their financial knowledge. Each correct question carries 1 mark. Then three categories have formed:

- A. 1st category is of financially illiterate people who score 1-3 marks.
- B. 2nd category is of Average people who score 3-6 marks.
- C. 3rd category is if financially literate people who score above 6 marks.

The sample consists of 200 respondents, out of which 100 (50%) are male and 100 (50%) are female. Marital Status of the respondents shows 34% are married and 66% are unmarried.

Table 1: Analysis of Demographic Profile

Particulars	Category	Frequency	Percentage
Gender	Male	100	50%

	Female	100	50%
Marital Status	Married	60	30%
	Unmarried	132	70%
Academic Standing	Graduate	60	30%
	Post Graduate	96	48%
	Doctorate	44	22%
Age	20-25	56	28%
	25-30	64	32%
	30-35	80	40%
Family Income	1lac-2lac	70	35%
	2lac-4lac	62	31%
	4lac-6lac	48	24%
	6lac & above	20	10%

Source: Compiled by Author

Among all respondents 32% are graduate, 48% are post graduate and 20% are doctorate students. About 28% respondents are in the age group of 20-25, 32% in 25-30 group and 40% in 30-35 group. Table 1 clearly shows that 35% respondents belong to the family income group of 1lakh-2lakh, 31% are in 2lakh-4lkh group, and 24% are in 4lakh-6lakh group and 10% in the 6lakh and above group.

A. Gender-wise Comparison in the level of Financial Literacy in Amritsar city.

For the purpose of achieving this objective, the following hypothesis has been set:

- **H0: There is no significant difference in the level of Financial Literacy between males and females.**
- **H1: There is significant difference in the level of Financial Literacy between males and females.**

In order to check whether the differences are significant or not, investigation has been made with the help of chi-square test. The results of the test are as under: -

Table 2: Financial Literacy and Gender Cross tabulation

			Gender		Total
			Male	Female	
		Count	9	23	32

Financial Literate	Financial illiterate	Expected Count	16.0	16.0	32.0
		% within Financial Literacy	28.1%	71.9%	100.0%
		% within Gender	18.0%	46.0%	32.0%
		% of Total	9.0%	23.0%	32.0%
	Average	Count	19	17	36
		Expected Count	18.0	18.0	36.0
		% within Financial Literacy	52.8%	47.2%	100.0%
		% within Gender	38.0%	34.0%	36.0%
		% of Total	19.0%	17.0%	36.0%
	Financially Literate	Count	22	10	32
		Expected Count	16.0	16.0	32.0
		% within Financial Literacy	68.8%	31.3%	100.0%
		% within Gender	44.0%	20.0%	32.0%
% of Total		22.0%	10.0%	32.0%	
Total	Count	50	50	100	
	Expected Count	50.0	50.0	100.0	
	% within Financial Literacy	50.0%	50.0%	100.0%	

	% within	100.0%	100.0%	100.0%
	Gender			
	% of Total	50.0%	50.0%	100.0%

Source: Compiled by Author

As per above table, 9 males and 23 females falls under 1st category i.e. “financially illiterate” showing that females are more financially illiterate than men. 19 males and 17 females comes under 2nd category i.e. “Average”. 22 males and 10 female falls under 3rd category i.e. “Financially Literate” which shows females are less financially literate than men.

Table 3: Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.736 ^a	2	.005
Likelihood Ratio	11.060	2	.004
Linear-by-Linear Association	10.457	1	.001
N of Valid Cases	100		

Source: Compiled by Author

B. Interpretation and Inference

The result of the chi-square test reveals that the Pearson’s chi-square value .005 which is less than .05 (at 5% level of significance) which means that the null hypothesis is rejected that implies that there is significant difference in the level of Financial Literacy between males and females. It shows that gender difference are present which means women know significantly less than men that shows difference in financial knowledge. There is significant relationship between Gender and Level of Financial Literacy. Thus, the null H0 hypothesis is rejected and alternative (H1) is accepted.

VI. FINDINGS OF THE STUDY

After reviewing the literature, we found that financial literacy is low all around the world as well as in India and there is substantial gender gap in financial literacy. Women have poor literacy as compared to men. The gender gap is more or less influenced by demographic and socio-economic factors. Beside these factors, many physical, psychological, and financial barriers also found responsible for the gender gap in financial literacy. As women have enormous potential to

contribute towards the growth of the economy and have become economically vulnerable group of the society due to longer life spans, shorter work experiences so it becomes important to make them financially literate. Their literacy level can be improved significantly by involving them in financial decision making as nurture is the main reason behind the gender gap not nature (Filipiak and Walle, 2015). Many major problems like poverty, unemployment in developing countries like India can be removed by making women financially literate.

VII. CONCLUSION

The financially literate women can work better for the development of the country and can help in accomplishing the one of the biggest dream of Indian society i.e. women empowerment. As per Ngo et al., 2021 by increasing financial literacy among women and by narrowing the gender gap in financial literacy the rates of domestic violence against women can be significantly reduced. In past some years, women's access to financial services has increased substantially faster as they have become the main spender in their family but their ability is still limited due to the disadvantages they experience because of their gender. They are good at budgeting and managing household expenses but when it comes to take large financial decisions, they leave it to the male members in the family (Singh and Kumar, 2017). Overall the existing evidence suggests that women and those with low financial literacy have difficulties making financial decisions and that this can have severe consequences for their financial well-being.

Women generally outline men have shorter working years and are still earning less than men. This carries even greater need for women to financially involved and secured. As financial literacy is less among females, thus suitable steps should be taken for improving the capabilities of young people especially females. As there is significant difference in males and females with regard to financial literacy, one way to decrease gender gap may be to increase numeracy skills. One another way to overcome financial knowledge is financial advice from professionals. Thus it is of paramount importance to equip youth especially women with financial literacy i.e. basic knowledge to make financial decisions in order to deal with the complexities of current financial markets and products. Youth must understand the basics of investments including relationship between risk and return; essential savings for future and consequences of not adequate financial planning.

VIII. REFERENCES

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