



A STUDY ON FINANCIAL LITERACY AND ITS IMPACT ON INVESTMENT DECISIONS-A CASE STUDY OF WOMEN IN SADALGA TALUKA, CHIKKODI

Keerti G Kulkarni,
Research Scholar,
Department of Management Studies,
Visvesvaraya Technological University, Belagavi
Shraddha Pradhane,
Senior Associate,
Genpact.

ABSTRACT

Financial literacy is a multifaceted concept and is considered to be one of the most researched areas and also a crucial component which envisages financial inclusion. It encompasses across all the levels of societies and economic strata. The lack of understanding the concept of financial literacy would result in poor investment decision making. Therefore, financial literacy acts as a catalyst which can improve the quality of life, as it boosts the savings and investment taken by individuals to ensure a safe and secured future. The paper is an attempt to methodically use a case study approach of women in Sadalga Taluka, Chikkodi” in order to understand the in-depth concept of financial literacy and its impact on investment decision making. The objective of the study is to closely examine the literacy levels of women using 4 demographic factors namely age, income, occupation and education level and also assess the components like Financial Awareness and Knowledge of Financial Products, Attitudes towards Savings and Investments, behaviour towards Savings & Investments and Financial Motivation were analysed in the research. It also encompasses the analysis of the influence of 4/2 demographic factors that impact the savings and investment decisions. The primary data for the study has been collected by developing a questionnaire as a survey tool consisting of 34 questions through convenience sampling technique and also conducted a face-to-face interview method. The four components namely, 129 women respondents belonging to varied economic, social and financial background residing in Sadalga village in Chikkodi. The data has been analysed using frequencies, percentages and cross tabulation. The findings of the study reveal that; although women having a reasonable income-generating employment backed up by their family bread-winners, they possess lesser financial knowledge. Majority of women (66%) respondents are well educated and belonged

to the “others” (other than agriculture) category of occupation. They are presumed to be occupants of agriculture or running their family-owned businesses. It points to the understanding that the respondents with higher income levels have not sensed the need for financial literacy and knowledge on avenues of investment. The women who hold an above the average annual income are more motivated to invest in good investment avenues and are more inclined to make informed decisions for future. From the survey conducted and the interview, it was observed that a minimum percentage of women (32%) had lower level of financial literacy, and such individual women preferred gold investment as a conservational investment option.

Keywords: *Financial Literacy, Financial Inclusion, Investment Decision, Financial Awareness, Financial Motivation*

LITERACY IN FINANCE- Introduction

Financial literacy is not a new term to all of us present here. While we have heard a number of definitions of financial literacy, I would use the one given by Organization for Economic Cooperation and Development (OECD), which defines it as ‘a combination of financial awareness, knowledge, skills, attitude and behaviors necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.’ Financial literacy is expected to impart the wherewithal to make ordinary individuals into informed and questioning users of financial services. It is not just about markets and investing, but also about saving, budgeting, financial planning, basics of banking and most importantly, about being ‘Financially Smart’.

Financial literacy is a complex concept, and it is important to understand its full import. In fact, as a society, we are yet to fully recognize the need and potential of financial literacy. As I would explain subsequently, financial illiteracy permeates across all levels of society and economic strata. The nature of illiteracy and its manifestations may vary, but it gets reflected in the everyday financial choices that many of us make. The lack of basic knowledge about financial products and services and their risk-return framework is one common instance of financial illiteracy that is widely observed.

Financial Literacy in India

Introduction:

According to the Economic & Political Weekly article “Deciphering Financial Literacy in India,” there is tremendous inter-state difference within India itself. A nationally representative data-set with an index of financial literacy representing financial knowledge, behaviour, and attitude demonstrated over 60 percentage points variation between an Indian state with the highest financial literacy and one with the lowest. Statistical analysis showed that these differences in financial planning basics correlated to differences in gender, qualification, location (rural, urban, or metro), employment, technology savvy and current debt.



On a contrary, an ING survey found that Indians ranked number 2 in across 10 leading countries assessed on financial literacy levels. But going into the data it was found that this was linked to the basic Indian ethos to save and invest in real estate and gold. However, growing dependence on credit cards and access to a variety of personal loans as well as a heavy EMI burden is affecting the success of the financial plan of the salaried classes.

Financial planning means managing your finances well. What a good financial planner or a good financial planning app or tool will do for you is create a roadmap to address your needs as an individual as well as your family. Financial planning basics involve ensuring sound investment, adequate life insurance, ULIPs and good health insurance. Your investments should yield income in the short and long term to meet your goals and desires as well as protect you from poverty and debt in the future. Aegon Life's Guarantee Insurance plan secures you with guaranteed annual pay outs on regular premium payment. If you're looking for such returns, this one's for you.

The BBC program Money Clinic is shot across the world and gets couples talking about finances with a qualified financial planner. It ensures that financial planning is made a priority and a formal conversation between couples is not just an argument on exceeding the budget and spending too much. In a family, both in India and abroad, the financial plan should cater to the needs to the earning member, the dependents especially the children. Financial planning basics, any financial planner or financial planning tool includes ensuring that your personal as well as the financial future of your family including your child or children is secured. While savings, investment, wealth creation and debt reduction is central to a good financial plan, you need to keep track of developments, invest early and manage your finances. You could manage your finances personally or by using the services of a financial planner. The key is constant financial learning and making the knowledge work for you. And most importantly the need of the hour is inculcate financial literacy early. The younger you are when you invest and prioritize financial planning basics, the wealthier you will be. The mantra is "invest early, invest well" after all! Financial literacy must be part of school and college curriculums. More the number of wealthy individuals means a healthy economy, which is good for all.

Research Objectives and Methodology

1. To understand the concept of financial literacy and its growing need.
2. To study the awareness levels of financial knowledge, skills, attitude and behaviour in terms of financial technology and digital economy.
3. To study the factors affecting the financial literacy and its impact on investment decision.
4. To established the relationship between demographic factor and financial literacy level.
5. To determine and analyse the significant relationship of two demographic factor namely: age and income on financial literacy. Age and Income being independent variable and financial literacy dependent variable.
6. To study the role of government in training and educating individual on financial literacy.

Need for the conduct of study:

India is one of country which comes in the category of developing economy. 1/3 of total population in India still leaving daily wage earning and has never understood about planning for insurance or future saving in their livelihoods. Off late financial literacy has gained a lot of popularity in our country and that many researched have urged the need of financial literacy for smooth functioning in financial system and intern develop the economy. At once side financial literacy has advantage which enables public in investing in sound financial product. On the other hand, it is disadvantage in terms of prevailing fraud practices to those who are unaware of about the financial product. Furthermore, the study has been undertaken to understand the attitude, awareness, opinion, and behavioural approach of people in understanding and having good knowledge on financial literacy .therefore elements like spending and saving habits have also been undertaken for the analysis of the study.it identifies the ability to understand efficient decision regarding money matters. It also looks in to the general literacy level people in selected area, their personal knowledge about finance, how are they indulged in financial planning and decision making .also the overall need for understanding the financial literacy levels , amount of money invested , attitude towards money, demographic profile and risk apparition the individuals has made the study purposeful. Sampling unit the study is 129 women respondents residing in Sadalga Taluq, in Chikkodi district were the part of survey. The sampling method adopted convinced sampling method.

Area of Study

The study aimed to measure the financial literacy and investment decision impacts on rural women on the basis demographic characteristics for which geographical areas like Beerdevnagar ,Gandhinagar, Vidyanagar and Afarajgalli were finalized on the basis of top populated areas.

Data Collection Method

The data collected for the study is exclusive based on the primary source and the instrument tool use for data collection is structured questionnaire. 32 questions formed the part of survey which were circulated to women residing in Sadalga Taluka, Chikkodi. Face-To-Face Interview method was also adopted to understand the perception of financial literacy.

Secondary source: The data has been also collected from various source like Sadalga website, panchayat, ZP office etc. literature review was exhaustively undertaken from various sequential research articles.

Research Questions

For the study, the following research question have served the basis for understanding, analysing and learning from the concept financial literacy.

- 1) Do the demographic factors have an influence on financial literacy?
- 2) Are women in Sadalga financially literate? If yes, what is their level of awareness, knowledge, and literacy on usage of financial products, services and new technology in the world of finance?
- 3) Does literacy of women influence their attitude towards investing?
- 4) Do these attitudes impact their financial decisions?
- 5) Are they really interested to get themselves well informed about financial products and services which could in-turn help them in making sound investing decision?

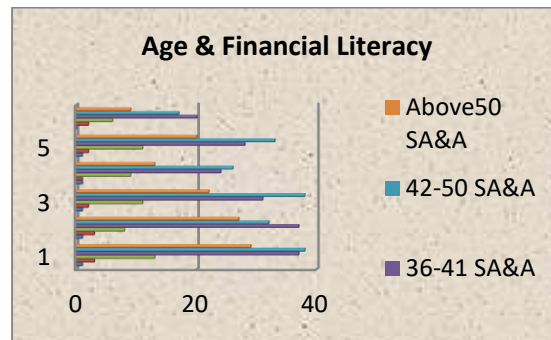
Data Analysis for the determination of demographic factors and their impact on financial literacy:

1. IMPACT OF AGE ON FINANCIAL LITERACY

Table No.5.46

	AGE AND FINANCIAL LITERACY					
	18-21	22-28	29-35	36-41	42-50	Above50
	SA&A	SA&A	SA&A	SA&A	SA&A	SA&A
1	1	3	13	37	38	29
2	1	3	8	37	32	27
3	1	2	11	31	38	22
4	1	1	9	24	26	13
5	1	2	11	28	33	20
6	0	2	6	20	17	9
TOTAL	5	13	58	177	184	120

Graph No.5.45



184/557	33%
----------------	------------

177/557	32%
----------------	------------

120/557	22%
----------------	------------

58/557	10%
---------------	------------

13/557	2%
---------------	-----------

5/557	1%
--------------	-----------

INFERENCE:

The age group with highest financial literacy of 33% belonged to the age group of 42-50. Followed by the financial literacy of 32% for age group of 36-41 and financial literacy of 22% for the age group of above 50 years. The financial literacy was low with the age groups of 22-28 and 18-21 with 2% and 1% respectively. The policy makers should implement awareness programs for creating financial awareness for the women belonging to the age group of 18-21 and 22-28. The women who are in the age group of 18-21 have to be educated on the need for savings and investment and have to be given training on the practical applications of financial products.

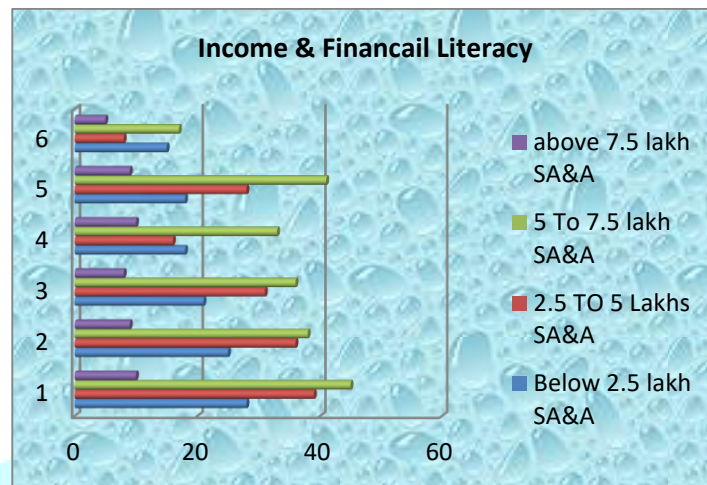
2. IMPACT OF INCOME ON FINANCIAL LITERACY:

Table No.5.47

INCOME AND FINANCIAL LITERACY				
	Below 2.5 lakh	2.5 TO 5 Lakhs	5 To 7.5 lakh	above 7.5 lakh
	SA&A	SA&A	SA&A	SA&A
1	28	39	45	10
2	25	36	38	9
3	21	31	36	8
4	18	16	33	10
5	18	28	41	9
6	15	8	17	5
TOTAL	125	158	210	51

210/544	39%
158/544	29%
125/544	23%
51/544	9%

Graph No.5.46

**INFERENCE:**

The highest financial literacy of 39% was observed for respondents with annual income of 5 -7.5 lakhs, financial literacy of 29% was observed for the respondents with annual household income of 2.5 - 5 lakhs. Financial literacy was 23% for respondents whose household annual income was below 2.5 lakhs. The financial literacy was low for the respondents with annual household income of above 7.5 lakhs. From this it can be understood that though their annual income is high, they are reluctant in savings.

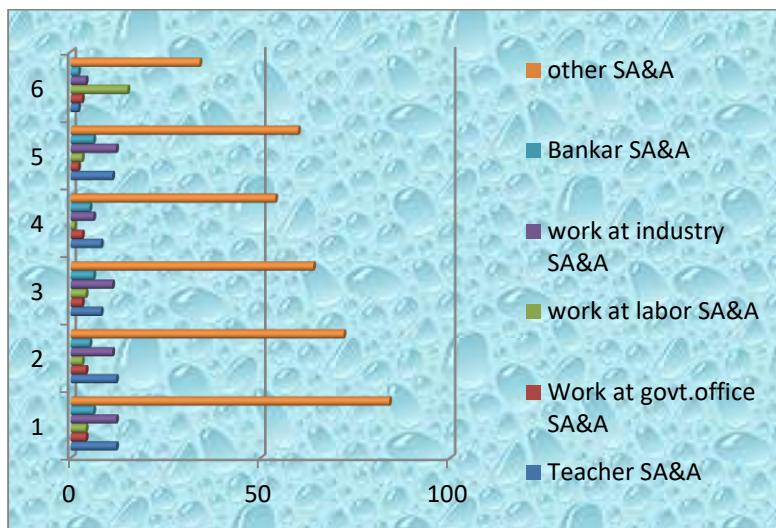
This may be because the respondents with higher income levels have not felt the need for financial literacy and knowledge about savings and investments. Those having above average annual income are more motivated to invest in good financial avenues and are more inclined to make informed decisions future savings and investment.

2. IMPACT OF OCCUPANCY ON FINANCIAL LITERACY:

Table No.5.48

	Occupancy					
	Teacher SA&A	Work at govt.office SA&A	at work labor SA&A	at work industry SA&A	at Bankar SA&A	other SA&A
1	12	4	4	12	6	84
2	12	4	3	11	5	72
3	8	3	4	11	6	64
4	8	3	1	6	5	54
5	11	2	3	12	6	60
6	2	3	15	4	2	34

Graph No.5.47



53/556	10%
19/556	3%
30/556	5%
56/556	10%
30/556	5%
368/556	66%

INFERENCE:

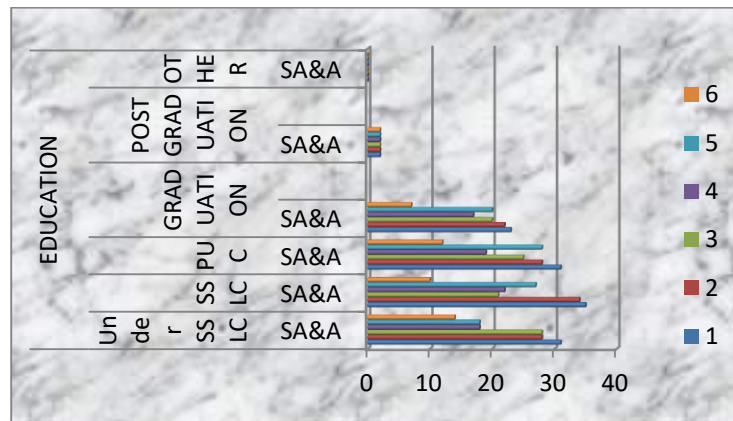
The Highest financial literacy of 66% was observed for respondents belonging to the “other” category of occupation. They are presumed to be belonging to agriculture labor or people running their family business. Financial literacy of more than 10% was observed for the respondents are belonging to the working at industry. Financial literacy of 10% was observed for respondents’ occupation in teacher category. The financial literacy was low for the respondents in working at Govt. office.

2. IMPACT OF EDUCATION AND FINANCIAL LITERACY :

Table No.5.49

EDUCATION						
	Under SSLC	SSLC	PUC	GRADUATION	POST GRADUATION	OTHER
	SA&A	SA&A	SA&A	SA&A	SA&A	SA&A
1	31	35	31	23	2	0
2	28	34	28	22	2	0
3	28	21	25	20	2	0
4	18	22	19	17	2	0
5	18	27	28	20	2	0
6	14	10	12	7	2	0

Graph No.5.48



137/544	25%
149/554	27%
143/554	26%
109/554	20%
6/554	1%
0/554	0%

INFERENCE:

The highest Financial Literacy of 27% was observed that maximum percentage of respondents were educated up to SSLC. 26% of respondents had education up to PUC conversely. The minimum percentage of 1% respondents had Post Graduation qualification.

This observation indicates that majority of women have not been highly educated.

Summary from interview method conducted for understanding Financial Literacy

Due to low level of financial literacy most of the women prefer gold to invest their savings. These people need awareness about other type of investment like share, bonds. The bank in rural areas can follow communication through vernacular language. It may help the rural women to understand information from banks. It may help them to use bank as financial information source. Majority of the women are not educationally sound. They cannot read and write the information available in media or other information sources. Lack of higher education among women resulted in poor understanding of financial information. Lack of computer knowledge is a major reason to get information frequently. The poor knowledge and numerical ability is also a reason to analyse financial information. Most of the women in areas are only know regional language (Kannada). The bank and central Government financial institutions are following bilingual communication through Hindi and English. Majority of women are not an earning person in a family. They cannot take decisions independently on finance matters of family. They cannot afford financial education through paid institutions to get financial knowledge.

BROAD FINDINGS

Demographic factor analysis and its overall impact on financial literacy among women.

- **AGE:** from the factor consider for study, it was found that the maximum percent of women constituted in the age group 42-50 and 36-41. These individual had a sound and better financial knowledge it terms of investing decisions. However for the age group of 18-21 and 22-28, the financial literacy level was low.
- **INCOME:** this factor was considered for the purpose to understand the relationship between income and financial literacy. It was found that the families which had the annual household income between 5 -7.5 lakhs preferred investing in different avenues and had a strong motivation for future savings.
- The respondents considered affordability as an important parameter for buying decisions. This can however be reflected with the responses of 55% of women who strongly agree with the statement “Before I buy something I carefully consider whether I can afford it”.
- Respondents strongly agree with the statement “I tend to live for today and let tomorrow take care itself. This implies that women believe is not worrying about future and that they are more concerned with spending.

CRITICAL RECOMMENDATIONS FROM THE SURVEY

Stakeholders’ policy makers and banks should make an attempt to create a special awareness programs in rural areas to the people residing there by targeting them using regional language. Awareness programs like how to use debit card, credit card and make instant UPI payments via digitized form. They should also introduce apps in mobile phones to explains the need of investment in various avenues and help them guide in better decision making. Schools at the higher / secondary level should be introduced with a course on financial literacy and its growing need to the children who should know and possess the financial knowledge and understand its practical applications. Quiz competitions can be implemented in order to explore their knowledge in financial products and as well motivate them to learn and inculcate the skills in investment through small savings. Likewise, education institution like (undergraduate colleges) can also be roped in to initiate various programs on financial literacy. Financial literacy should also increase with other active participations from SHG’s, Women oriented NGO’s and village level panchayats.

LEARNINGS FROM THE RESEARCH

Financial literacy of marginalized rural women is low. Developments in financial literacy would help the women take better financial decisions as they can making proper utilization of financial services and products from the financial service agencies sponsored either from the government, NGO's or other private organizations. It would help them in wealth accumulation and financial well-being. This, in turn will lead to their personal development and social development. Their financial participation would help our country develop economically. Villages like Sadalga Taluka, Chikkodi should be given a special focus to train, create awareness and help build a better harmony in rural areas and as a whole country wise development. For these initiatives, the role of government, NGO's and other private organizations and their support and assistance is of paramount need.

REFERENCES

- N Nithyananda and Dr UmeshMaiya, (2020)" Financial Literacy among Rural Women: A Study with Reference to KundapurTaluk,Journal of Interdisciplinary Cycle Research, ISSN No: 0022-1945, Volume XII, Issue III, March, 2020
- Measuring Financial Literacy: Questionnaire and Guidance Notes for Conducting an Internationally Comparable Survey of Financial Literacy- International Network on Financial Education, (INFE)- A Report of Financial Literacy by Organization for Economic Co-operation and Development (OECD)
- Women and Financial Literacy, OECD/INFE Evidence, Survey and Policy Responses, A Report from Financial Literacy and Education, Russia Trust Fund, Jine 2013
- Dr Bhagyashree Menaria and Dr BhaminiMenaria, (2019) "Financial Literacy among the Women SHG Members in Rural Udaipur Region"
- IIM-Ahmedabad- Supported by Citi Foundation Citi, A Survey of Financial Literacy among Students, Young Employees and the Retired in India,
- AthiraBinod (2019), "Financial Literacy among Women in Kerala Rural – Urban Comparison", International Journal of Humanities and Social Science Invention (IJHSSI) ISSN (Online): 2319 – 7722, ISSN (Print): 2319 – 7714 www.ijhssi.org ||Volume 8 Issue 02 Ser. II ||February. 2019 || PP.23-28
- Ani Caroline GrigionPotrich, Kelmara Mendes Vieira, GuilhermeKirch, (June 16, 2015) (Determinants of Financial Literacy: Analysis of the Influence of Socioeconomic and Demographic Variables***, ISSN 1808-057X DOI: 10.1590/1808-057x201501040,

- PriyankaBanik, (2021)” An Empirical Study on Role of Women in Financial Decision Making of a Family: An Evidence from Kolkata, India”,International Journal of Creative Research Thoughts(IJCRT), Volume 9, Issue 1 January 2021 | ISSN: 2320-2882
- Shanti.S A.V.N. Murthy (June 2019), “The Impact of Financial Literacy on women in Several Districts of Andhra Pradesh”, International Journal of Recent Technology and Engineering (IJRTE), ISSN: 2277-3878, Volume-8, Issue-1S4, June 2019
- A PhD Thesis Report of NehaYadav (2020) from Shodhaganga, “The Influence of Financial Literacy Towards Investors Attitude and Its Implication on Decision Making”
- A PhD Thesis Report of Muthulakshmi (2014), from Shodhganga”Financial Literacy of Rural Women In Tirunelveli District”
- <http://www.sadalगतown.mrc.gov.in/>
- Emily Levi-D'Ancona, Financial Literacy and Financial Inclusion of Women in Rural Rajasthan, SIT Graduate Institute/SIT Study Abroad SIT Digital Collections, 12-1-2014
- N. P. Abdul Azeez and S. M. Jawed Akhtar, Digital Financial Literacy and Its Determinants: An Empirical Evidences from Rural India, South Asian Journal of Social Studies and Economics 11(2): 8-22, 2021; Article no.SAJSSE.68987 ISSN: 2581-821X
- Ankita Raj, Financial Literacy among Women in Kaushambi : An overview of Rural India, FINANCE INDIA © Indian Institute of Finance Vol. XXXIV No 2, June 2020 Pages—731—742
- Kamini Rai, Shikha Dua, Miklesh Yadav, Association of Financial Attitude, Financial Behaviour and Financial Knowledge towards Financial Literacy: A Structural Equation, Modeling Approach, March 5, 2019 Research Article, <https://doi.org/10.1177/2319714519826651>
- George Okello Candiya Bongomin,Joseph Mpeera Ntayi, John C. Munene & Isaac Nkote Nabeta, Financial Inclusion in Rural Uganda: Testing Interaction Effect of Financial Literacy and Networks, <https://doi.org/10.1080/15228916.2016.1117382>