



## Short Review Paper

# Women investors and financial literacy

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## Abstract

*Finance is a key to major decisions in any economic system. The surplus saved out of the income when invested for multiplying the savings is called investment in a layman's language. There are various investment options left for an investor. But to choose the right investment option is the matter of concern. Here comes the usage of the word "financial literacy". Financial literacy is the ability to process the financial information and make informed decisions about personal finance. When people are financially literate, they are more likely to explore the products and services offered by banks and use them for multiplying their surplus. But the fact is that in India, one can find that investing in stock markets are considered too risky a job and people are ready to invest in banks as fixed deposits although they are hardly getting any amount as interest on their savings. This is because an investor feels that he deposits in a bank although he would get any percentage as interest still he would not lose his money as it is not risky as compared to stock market investments. In India, women although educated is dependent on the family, friends or financial advisors to handle the investments. This research article is an attempt to know the financial awareness of the women folk and the effort taken by authorities to educate and provide financial literacy to the masses.*

**Keywords:** Financial literacy, financial inclusion, financial institutions, financial knowledge, women, decisions.

## Introduction

Savings constitute an important part of the progress of the economy of any nation. Women play an important role and contribute largely to its development. When we talk of investments in India, the trend in the past years had been in majority cases in the form of bank deposits followed by investments in Household gold (in the form of Jewellery), insurance sector, pension and provident funds. But now one can witness the contribution to pension and provident fund by way of investment has gone deep down. Today's Investors are showing interest in investing in financial market which is at the same time considered very riskier with new and complex financial products. Investment with lack of knowledge but lots of interest is senseless. So financial literacy is a must.

What is financial literacy? It is nothing but the knowledge about finance in simple terms. Financial literacy is the ability to process the financial information and make informed decisions about personal finance<sup>1</sup>. If a person is financially literate he will know how to earn money, manage money, save money and invest money. He will have the curiosity and urge to know the upcoming and the trendy financial products in the stock market and will try to apply his financial knowledge to make the best out of it. In other words, Financial Literacy is not just about stock and financial markets and investing, but also savings, budgeting, financial planning, basics of banking and meeting the emergency financial needs like medical expenses through

planning<sup>2</sup>. It is basically the state of being "Financially Smart". Most of the people who have surplus and have the idea of investing in the stock market first feel that to be an investor in stock market one needs to be an expert. As a result they feel unsettled about investing in the stock market. On such occasions, financial literacy is a must. It emphasises on expanding the knowledge on financial matters and products so as to make the investors know and understand as to how to use money and minimise risk and earn maximum profit in the long term.

## Financial literacy: India with other countries

According to the various surveys and researches conducted worldwide, the following can be outlined in a broader perspective about the financial literacy position of India with other countries of the world. In India, majority of the population lives in the rural belt and as a result many of them are not aware of the various aspects and management of finance: i. Over 70% of Indian adults lack basic financial knowledge and do not understand the most basic key financial concepts<sup>3</sup>. ii. India stands low in rank when it comes to global financial literacy rate. iii. As per the survey conducted by the IIM-A, it was found that there is lack of understanding among Indians in the areas of household finance, basic financing principles, compound interest, inflation impact, rate of return, role of diversification in investments, etc<sup>4</sup>. iv. The number of savings account opened through the Pradhan Mantri Jan Dhan Yojana

scheme could not help in contribution of financial literacy. It could only achieve banking facilities to the masses at a reasonably less cost. v. Still in India the percentage of financial illiteracy is more in women rather than men. vi. Financial literacy of the urban adult youths in India are also very low as compared to other countries.

## Women Investors

Women are always extra cautious and safety expecting people in all respects. When it comes to savings they know the art of saving at any stage and volume. But when it comes to the next part, which is investment, they totally depend on their family members, financial advisors, etc. They have a basic fear that they may make a poor investment decision as compared to the men. Most of the women of our country though independent, earning good money who are tech savvy even, still prefer to saving cash even in the today's era of rock bottom end interest rates knowing very well what they are getting as return for their saving. It is a bitter fact that hardly any percentage of women in the country has personally invested in stock market or buying and selling of shares or debentures. There can be many reasons that can be attributed for this women investment behaviour. i. Most of the women realise the fact that their saving and scope for investment is half as compared to men. So they prefer not to take a bigger risk of investing in stock markets. ii. Women have less confidence in their financial knowledge than men. This statement is very well proven in a research survey that around 58% men rated their financial understanding as good as compared to 47% women<sup>5</sup>. iii. Although mutual funds, annuities, long term insurance are not new financial products, still it remains a mystery in most women's minds.

## Recent trends/developments of women investors

Quite often it is said that men are financial daredevils who like risk and that women are cautious and want security. Once there used to be days when women had nothing to do with finance or finance related decisions. It was an absolute monopoly male decision. Today the scenario has changed. Although the scenario is changing the following trend is still prevailing with regard to women and their investment habits and knowledge. i. Most women do not have a demat account even in our country. ii. Most of the women, prefer to invest in Gold Jewellery, FDs, Bonds, Postal savings, SIPs, and invest for a long period of time. This enhances their safety aspect. iii. Today we find women professionals and employees earning as much as a man. So investment importance in their minds is the need of the hour to enhance their saving and investment habits so as to increase their wealth. iv. Women investors prefer to invest in financial product which give risk free returns<sup>6</sup>. This confirms that women investors even if they are high income, well educated, salaried are traditional investor prefer to play safe savings and low risk.

## Strengthening investor education

As said earlier, financial education has been felt as the need of the hour and has attained great importance in the recent past.

The reason that can be attributed to such a situation is the increasing complexities that the general investors face in financial markets and rapid growth in financial products. So, considering the importance of educating investors, there are so many organisations who realise the situation and have attempted to give a proper remedy. The following paragraphs would let us know of the ways and measures taken by the concerned for educating investors.

## Government initiatives

The ministry of corporate affairs provides an investor guide, booklet and reference guides to understand the stock and financial market. The Center for youth and social development is a nodal organisation for financial literacy initiatives.

## Other financial literacy initiatives offered in India

Various financial literacy programmes have been implemented by concerned institutions. Many of them are unique in their approach and delivery mechanisms. For example, separate programmes for different category of population like students, microfinance clients, slum dwellers, bank clients etc. Some programmes have a particular focus such as a specific financial product, developing saving habit among target group, customer protection, business management, and so on, while others are more general and deal with money management skills, advocating healthy financial practices etc. There are different techniques used such as videos, stories, activities, comic books etc. along with traditional methods of classroom training. Banks like Punjab National Bank and State Bank of India have also begun setting up 'financial literacy and credit counseling centers that people can go to for gathering requisite information<sup>7</sup>.

**Financial literacy initiatives taken by RBI:** The central bank, i.e the RBI is actively taking part and taking initiatives in eradicating the country's financial illiteracy. RBI has implemented "national strategy for financial education". Also the RBI has undertaken a special project on "Project Financial Literacy". This project aims to pass the information regarding banking concepts to various categories of the population like women, school going children, collegiate, urban population, rural folks, etc<sup>8</sup>. The information under this project is circulated by various means like presentations, pamphlets, brochures, websites, films, etc. RBI Governor has also proposed inclusion of financial literacy in school curriculum<sup>9</sup>. If children are aware, then they can influence their families on the importance of savings and take required steps to manage their money surplus.

**Initiatives by SEBI:** SEBI plays a very active role in terms of financial literacy also apart from protecting the interest of its investors. Also it runs campaigns with the objective of "an educated investor is a protected investor"<sup>10</sup>. SEBI has its own standard reading material. A separate reference guide is also being published for investors by BSE limited. SEBI has embarked financial education on a nationwide campaign.

Resource persons who are certified by SEBI organise and conduct workshops and seminars at various forums.

**Other measures:** The CBSE in collaboration with the National institute of securities market, Mumbai keeps conducting National financial literacy test from time to time at various levels to know the level of financial awareness in the people to improve the measures in educating the investors from time to time accordingly<sup>11</sup>. Commercial banks are also contributing towards the financial literacy programmes at its level. They have initiated various measures for creating awareness through financial literacy and counseling centers and rural self employment training institutes on financial literacy. The IRDA has taken various initiatives in conducting awareness programmes and in educating the investors. Also there are other initiatives like FLAME which is an India info line effort to promote financial literacy among the general public. This initiative targets the low income groups and encourage them in investing in financial markets and making them aware about the unscrupulous agents and their dealings in the financial market thereby ensuring their investment safety and security by making them aware about the markets and products. Also there is a national financial literacy drive aiming at providing financial awareness and make financial literate women.

## Suggestions

At the first instance, a woman should decide whether she would invest herself or work with a financial advisor. A woman should first of all realise the fact that having money to invest is a privilege. Along with that privilege comes responsibility. They should develop the art of climbing up the ladder with confidence and knowledge to gracefully manage this privilege. Women can be segmented as per their age, income, education level, understanding capacities, and then can be educated so that the efforts of various institutions becomes fruitful and enhance their financial education at a wider level. By using the latest technology and smart phones even financial literacy can be imparted conveniently.

## Conclusion

There is no financial education programme which can offer "one size fits all". Investors should be provided right advice at the right time with the right approach. Women need not feel scary that they are unaware of investing tactics and a complex process, the percentage though slightly less men are also illiterates in this aspect. All that is required is that proper awareness, risk taking ability, confidence and right approach. There is a handful of working women who invest in their own portfolios and trying to get good returns out of their investments. But this percentage is very low as compared to the strength of the working women and the financially strong women. The percentage of women investors should increase only then the word "women empowerment" will be justified.

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