Ilkogretim Online - Elementary Education Online, 2021; Vol 20 (Issue 6): pp. 5748-5759
http://ilkogretim-online.org
doi: 10.17051/ilkonline.2021.06.556

An Analysis On Financial Literacy Of Making Investment Decision Towards Women With Special Reference To India

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ABSTRACT:

Financial inclusion and financial literacy are essential components of a robust economy that promote financial stability. Financial inclusion is a highly prioritized aspect in India, with the government implementing awareness programs and launching schemes periodically. Financial inclusion focuses on quantitative aspects, such as increasing the number of individuals who have access to financial services. The financial literacy emphasizes the qualitative aspects, aiming to improve individuals' knowledge and understanding of financial concepts and practices. In this article, an analysis on financial literacy of making investment decision towards women with special reference to India has been discussed.

Keywords: Financial, Literacy, Investment, Women, India

INTRODUCTION:

In the present context, both emerging and developed economies are increasingly prioritizing the financial literacy of their populations. Financial literacy is often unfamiliar and difficult to understand for many individuals. Financial literacy imposes costs on the nation, resulting in increased financial security expenses and reduced prosperity. Financial illiteracy incurs substantial expenses. [1] The main aim of the research was an analysis of the financial literacy of women in making investment decisions, with special reference to India.

RESEARCH METHODOLOGY:

Research methodology is a technique to logically describe the research problem. It may be said that the methodical conduct of research is a branch of analytical science. In order for the study findings to be evaluated by the researcher or by others, it is necessary to justify the choice of a certain approach above other feasible ones. The instruments and procedures used to conduct research are known as research methods. Any form of examination meant to unearth intriguing or novel data is referred to as research. Secondary data refers to information that has previously been gathered, examined, and evaluated by another party. The secondary data needed for the study was gathered from books, reports, research journals, and numerous websites that were perused. In this research, secondary data has been used.

FINANCIAL LITERACY OF MAKING INVESTMENT DECISION TOWARDS WOMEN- AN ANALYSIS, FINDINGS, DISCUSSION AND RESULTS:

Financial Literacy:

Consumers lacking comprehension of interest compounding experience increased expenditure on transaction fees, accumulate larger debts, and face elevated interest rates on loans.

Financial literacy enables individuals to comprehend the intricacies of the financial realm and make informed choices that contribute to their overall financial well-being. The necessity of financial literacy in a country such as India arises due to:

Increase in Life Expectancy:

Currently, individuals are increasingly aware of their health, and advancements in healthcare services have led to a higher life expectancy in India. Consequently, individuals now have a longer period of retirement to enjoy. This will undoubtedly heighten the necessity for financial planning, including saving for retirement, making investment choices, expanding insurance coverage, and preparing for unforeseen future circumstances. [2]

Changes in the Family Structure:

The prevalence of nuclear family structures is on the rise. In traditional joint families, decisions were made by the family patriarch in consultation with all members, ensuring collective accountability for those decisions. The profits and losses were distributed evenly among all participants, with no individual bearing sole responsibility for either. The nuclear family structure has heightened individual responsibilities in relation to expenditure, savings, and investment. The concepts of liberalization, privatization, and globalization have created more job opportunities and increased individual mobility.

Shift in Risk:

The transfer of risk has shifted from the government and employer to the individual. Individuals must take personal responsibility for planning their financial security in order to ensure a secure retirement and attain financial well-being. Financial products and services on the market carry inherent risks, which individuals often overlook due to limited financial literacy. Consequently, they may encounter significant financial difficulties. Individuals must exercise greater caution and mindfulness when making investments, ensuring that they effectively manage their portfolio to attain long-term financial security.

Innovations in Financial Products and Services:

Currently, the financial market offers a wide range of financial products and services from various providers through various distribution channels. The liberalization and cost reduction facilitated by financial engineering, along with advancements in information technology, have led to the modification of numerous financial products and services to cater to the specific requirements of the financial market.

Digitalization of Financial Market:

The digitalization of the financial market facilitates convenient access to financial services for individuals. Technological advancements have accelerated the operations of the financial market. Due to technological advancements, most banks now offer their services through online portals and mobile applications, facilitating convenient access to financial services.

Deregulation of Financial Market:

The economic policy of 1991, following the implementation of liberalization, privatization, and globalization, has significantly transformed the structure of the Indian financial market. The implementation of the 1991 economic policy in India has resulted in significant structural transformations across various sectors of the economy. The liberalization process has facilitated the entry of foreign players into the Indian financial market. [3]

Financial Literacy in India:

To promote financial inclusion, there is a focus on increasing the number of zero-balance bank accounts in order to ensure access to fundamental banking services for all individuals within the country. Financial literacy focuses on enhancing individuals' understanding of financial concepts and practices to attain long-term financial stability. Financial literacy enables individuals to assess and contrast financial products, make informed financial choices, and proficiently comprehend and handle risks. [4]

In 2007, the Reserve Bank of India initiated the establishment of Financial Literacy and Credit Counseling Centers across rural and urban areas, providing free financial education and counseling services to the population. The Reserve Bank of India (RBI) has initiated a project called "Project Financial Literacy". Information regarding central and general banking concepts is disseminated to diverse target groups, including school and college students, rural and impoverished individuals, defense personnel, and senior citizens. The project consists of two modules: one module examines the economy, operations, and activities of the Reserve Bank of India (RBI), while the other module focuses on general banking functions. The study material is accessible in English, Hindi, and 13 other regional languages. The information has been disseminated to various target groups, including banks, local government, schools, and colleges, through brochures, booklets, presentations using short films, and the bank's website.

Visa released the findings of a survey in April 2012, which examined the financial literacy of 25,500 individuals across 28 countries. Brazil has the highest financial literacy rate among the 28 countries, with 50.4% of its population being financially literate. Mexico has the highest financial literacy rate at 47.8%, followed by Australia at 46.3% and the USA at 44%. According to the Visa International Financial Literacy Survey conducted in 2012, India ranked 23rd with a financial literacy rate of 35%. [5]

Financial Literacy Initiatives Taken in India:

The government and policymakers have acknowledged the significance of financial literacy and have implemented various initiatives to promote its growth through financial education. Various ministries and financial bodies in India, such as the Ministry of Finance, Financial Stability and Development Council, and Ministry of Human Resource and Development, along with institutions like RBI, SEBI, NABARD, and IRDA, have implemented several initiatives to enhance financial education. These efforts aim to equip individuals with the essential knowledge and skills pertaining to personal finance.

The following provides detailed descriptions of initiatives implemented by various financial institutions.

The Reserve Bank of India has implemented various initiatives:

The Reserve Bank of India focuses on two key areas: financial education and financial inclusion. To achieve this goal, the Reserve Bank of India (RBI) has developed and published a substantial amount of literature on its website. This literature is available in 13 languages and aims to raise awareness about financial products and services, different financial practices, and consumer protection. The Reserve Bank of India (RBI) has published a booklet called "FAME" (Financial Awareness Messages). This booklet aims to promote financial literacy by providing essential information on topics such as budgeting, saving, borrowing, investing, and the necessary documents for opening a bank account. It also includes guidance on filing complaints with banks. The Reserve Bank of India (RBI) has published a booklet titled "Raju" to educate individuals on fundamental banking principles and promote a culture of saving.

The Securities and Exchange Board of India (SEBI) has undertaken various initiatives:

SEBI has conducted numerous nationwide programs to promote financial education through various initiatives such as programs, campaigns, and events. SEBI maintains a nationwide panel of experts who provide training on diverse financial topics such as financial planning, savings, investment, banking, insurance, and retirement planning. The programs primarily targeted school and college students, self-help groups, retired individuals, the working class, and women. The organization also operates a website to educate investors about financial literacy.

Initiatives by the Insurance Regulatory and Development Authority (IRDA) includes:

The Insurance Regulatory and Development Authority (IRDA) has organized multiple awareness programs on policyholder rights and duties, dispute resolution channels, and has also published magazines and comic bank services pertaining to insurance. The Insurance Regulatory and Development Authority (IRDA) has published policyholder handbooks targeting both investors and children, providing them with relevant informational material. [6]

The initiatives of the Pension Fund Regulatory and Development Authority (PFRDA):

The Pension Fund Regulatory and Development Authority (PFRDA) has implemented a secure messaging system on its website. This system provides assistance to individuals in resolving pension-related concerns by offering a comprehensive list of frequently asked questions. Efforts have been made to raise awareness about pension products among the public. The National Pension Scheme (NPS) was introduced by the Pension Fund Regulatory and Development Authority (PFRDA) to address the growing need for retirement planning due to increasing life expectancy and changes in family structure.

Other banks have implemented various initiatives:

In addition to the Reserve Bank of India (RBI) and commercial banks, private and multinational banks have also made contributions to financial inclusion by promoting financial literacy. The Bank of India, Canara Bank, Dena Bank, and Allahabad Bank have launched programs named "ABHAY," "Canara Gramina Vikas Vahini," "Dena Mitra," and "Samadhan," respectively, as part of their efforts to establish Financial Literacy and Credit Counseling Centers (FLCCs) in the country. The South India Bank has implemented a financial inclusion initiative called the "KIOSK banking Model" in partnership with Akshaya e-centres in Kerala.

Initiatives by Non-Governmental Organizations (NGOs):

Non-governmental organizations (NGOs) have incorporated financial literacy programs into their self-help group development initiatives. Several institutions in Mangalore, including Syndicate Bank and Vijaya Bank, have initiated a program called "Jnana Jyothi Financial Literacy and Credit Counseling Trust" in collaboration with various organizations such as the "DHAN" Foundation, People's Education and Development Organization (PEDO), and the Centre for Community Economics and Development Consultants Society (CECOEDECON). These institutions, along with many others nationwide, are dedicated to providing financial literacy to marginalized individuals, with a particular emphasis on the poor and women.

Women and Financial Literacy:

India is the world's second-most populous country, with women comprising 48.5% of the total population, according to the Socio-Economic Caste Census of 2011. According to Global Employment Trends (2013), the labor force participation rate decreased from

37% in 2004–2005 to 28% in 2016. The McKinsey Global Institute has identified women as a significant driver of economic growth in the country. The economic growth of a nation is closely tied to the financial well-being and economic empowerment of women.

Financial literacy is recognized as a crucial factor in enhancing the financial well-being of women. Previous studies have shown that despite the increasing number of women in the workforce, they continue to rely heavily on their husbands for making financial decisions. Due to limited financial literacy among women, they may be unable to effectively utilize financial markets, hindering their ability to secure their financial future during retirement and achieve long-term financial stability.

Visa, a prominent financial services company, conducted a survey of 25,500 individuals across 27 countries from February to April 2012. The survey findings indicate that Brazil has the highest percentage of financially literate women at 50.2%, followed by Australia, Mexico, and the USA with percentages of 48.8%, 47.8%, and 44.6%, respectively. India ranks 19th out of 27 countries, with a financial literacy rate of 36.8% among women. Indonesia ranks last in terms of financial literacy among women, with a rate of 26.4%. Pakistan and Vietnam follow closely behind, with rates of 27.8% and 31.9%, respectively. The survey findings indicate that 37.9% of women in India and 51.8% in Brazil are responsible for managing the household budget. India is ranked 13th among 27 countries, with 31.3% of women saving for emergencies.

Globally, the financial literacy rate among women is 30%, while men have a financial literacy rate of 35%. The women exhibit lower levels of financial literacy, as evidenced by their decreased likelihood of providing accurate responses to financial literacy questions. They tend to respond with I don't know" more frequently. The other studies consistently reported similar findings. The gender disparity in financial literacy has been observed in both developed and developing nations.

This study reveals the global disparity in financial literacy between genders. The global study found that 35% of men and 30% of women correctly answered three out of four questions. This represents a global gender gap of 5% in financial literacy. The gender gap in financial literacy in major emerging countries is consistent with the global gender gap, which stands at 5%. Specifically, 35% of men correctly answered three out of four questions, while 30% of women achieved the same level of accuracy. [7]

Core Competencies:

According to research, in order to be financially literate, a person must be proficient in the following fundamental competencies:

- Numerical Ability
- Budgeting
- Saving

- Borrowing
- Investment

Proficiency:

All five of the key competencies must be mastered for someone to be financially literate; however, simply knowing these things is not enough. So, in order to be successful in managing money, a person has to be skilled, capable, and knowledgeable in the essential competencies. It consists of:

- Financial Knowledge
- Application of Knowledge
- Skill and Confidence
- Behaviour and Attitude

Possibility of acquiring and using proficiency and competence:

Participating in the economy should increase people's prospects for success and give them the means to live satisfying lives, which calls for knowledge and competence as well as the opportunity and environment to put that knowledge to use. The financial industry must offer opportunities for one to apply knowledge and skills. The opportunity in this situation focuses on the equitable distribution of social and financial resources so that each person can engage in the financial market and meet his or her own requirements. A person who is financially literate has the knowledge, confidence, and proficiency to use that knowledge. They are also adept enough to seize financial opportunities. They also know where and how to get information so that they can achieve financial wellbeing. [8]

Investment:

Investment is the process of giving up something now in hopes of earning something later. Various theories and principles can be used to define the term investment in various ways. It is a phrase that has a variety of applications. Investment, as defined by economics, is the use of resources to boost future earnings or manufacturing output. Finance defines the term "investment" as the act of purchasing a financial product or any other valuable good in the hope of receiving a profit in the future. Business theories define investment as the process through which a manufacturer purchases a tangible asset, such as stock or production equipment, with the hope that it will ultimately help the company grow.

Investments generally refer to the placement of saved cash in a variety of financial products, such as stocks, mutual funds, gold, etc., in order to generate returns and wealth growth while accounting for risk. Savings become an investment the moment they begin to generate income.

Investment is the process of allocating funds or other resources in the hope of earning future rewards. When investing, the person gives up something valuable in the moment in the hopes of profiting from the sacrifice down the road. Capital investment, equity investment, land investment, stock investment, retirement investment planning, financial market investment, share market investment, portfolio investment, gold investment, company investment, and real estate investment are all examples of investments that can be made.

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Generating revenue is one of the most crucial reasons a person makes an investment. It could come in the form of interest accrued on the principle, dividends collected on the shares, or capital growth. The two fundamental components of using funds are income and capital gains (Pandian, 2001). Another factor is liquidity; an investment product that is readily marketable, realizable, or able to be sold has the ability to be liquid. A person typically favors liquidity for his or her investment since it offers a decent return and little danger. The next crucial element is the safety and security of the money. Investment Avenue is regarded as a safe investment product because it offers a guarantee of return without any financial or time losses. Investors always desire the guarantee of a capital return without a financial loss. Risk is a key component of investment; it comes with every investment. It might be characterized as a capital loss, a delayed capital repayment, a missed interest payment, or inconsistent returns. When choosing an investment, a person takes risk into account while maximizing return.

Investment Avenues:

The Indian financial market offers a variety of investment instruments, some of which are extremely liquid, some of which are tradable while others are not, and some of which carry a high level of risk while others are risk-free. The choices must be made by people based on their requirements, preferences, risk tolerance, and projected return. Investment instruments are categorized by the Reserve Bank of India into two subheadings:

➢ Silver, gold, or real estate investments are examples of physical investments.

➢ Financial investment includes buying shares, mutual funds, insurance, and bank deposits, among other things.

SEBI and NCAER (2011) list the eight investment instruments that are available on the Indian financial market, including bank deposits, insurance and pension plans, mutual funds, real estate, precious metals, bonds and debentures, shares, and post office savings schemes like POMIS, NSC, KVP, etc.

Deposits in banks:

Fixed deposits, post office fixed deposits, and firm fixed deposits are the three types of investments in bank deposits that are available. It is a risk-free option for investing, is more liquid, and provides a typical return. Savings accounts, fixed-rate deposit accounts, and recurring deposit accounts are just a few of the many types of deposit accounts that the bank offers.

Postal Office Savings Programs:

The post office offers a number of savings plans, including the public provident fund, kisan vikas patra, and national saving certificate. These are the most secure investment options and offer a slightly higher interest rate than bank deposits. Under the Wealth Tax Act, investments in post office savings plans are likewise excluded.

Pension and insurance plans:

One of the most significant and popular investing options in India are insurance and pension programs. Aside from endowment policies, unit-linked insurance plans are currently quite popular in India. Insurance offers financial protection against loss and assists in spreading or sharing the risk. On certain policies, people may receive a tax rebate in addition to earning a respectable interest rate on their invested insurance money.

Mutual Fund:

A mutual fund is a collection of securities and a pool of funds. It serves as an intermediary, taking money from investors and investing it on their behalf in a variety of assets. Because it creates a portfolio in which different types of assets are taken into account according to the requirements and objectives of the investor, it diversifies the risk taken by the investor. It charges a fee for their services and sells units of the funds to investors, with returns paid periodically or at maturity. It is a medium-risk investment vehicle.

Precious Metals:

In India, investing in precious metals is highly common because it has low risk and may be done in real time. Investments can be made in the form of silver or gold bars, coins, jewelry, or other items. It serves as an inflation hedge. These days, a lot of institutions and businesses offer loans secured by gold.

Real estate:

In India today, real estate is also favored as a form of investment. People are switching their interest from traditional to this modern investment channel since it offers very appealing returns. Managing, purchasing, possessing, renting out, and selling real estate may all be included in real estate investing. For the purpose of purchasing or building a residential or commercial apartment, a number of banks and financial institutions offer loans or financing; the interest on these loans is deductible from income up to a specific amount.

Bonds/ Debentures:

A firm or government may issue bonds as a fixed-income asset. When someone buys a bond, they are effectively lending the business or government their money. The issuing firm is referred to as the borrower, while the lender is referred to as the investor. Lenders get the repayment amount on the maturity date in addition to the set interest rate that was agreed upon by the borrower at the time of issuance. Bonds' key selling point is that they are comparatively steady and safe. The potential return is, however, also lower because there is less risk involved. Bond returns typically vary between 7 and 10% each year.

Shares:

The potential return on equity investments is large, but the risk is also considerable. In the event of a loss, there is a chance that some of the invested funds will be lost. Either directly through the purchase of a company's shares on the stock market or through a mutual fund are two ways to invest in stocks. It may yield a return of 15% to 50% each year during prosperous times.

CONCLUSION:

A decision about how, when, where, and how much money will be invested that is made by the board of directors and/or management. Research to ascertain costs and returns for each alternative usually comes before the choice is made (businessdictionary.com). The process of choosing an investment direction from the possibilities offered can be referred to as investment decision-making. Individuals make financial decisions on a daily basis, whether or not doing so is difficult or necessary for daily life. [10]

Before making an investment decision, take into account the following:

- ➢ Determine the level of risk tolerance
- ➢ Make a portfolio of investments
- ➢ Establishing an emergency fund
- ➢ Reviewing the portfolio on occasion

It also asserted that an investor's decision to buy financial products is frequently influenced by their prior investment knowledge and experience. According to SEBI and NCAER (2011), when choosing an asset for investment, liquidity and safety are the two main factors to take into account.

The sociodemographic traits, guidance and information sources, investment objectives, and financial risk tolerance are all linked to investment decisions. The eight crucial components of investment decisions are listed by Gayatri Jagdale, founder of Fund Matters (2018). Aim, age, risk tolerance, asset kind, time horizon, and anticipated returns. According to Prakash Gagdani, CEO of 5Paisa, three factors, including time, risk and return, and investment aim, are crucial when making an investment decision.

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