

Financial Attitude of Financially Independent Women: A Roadmap Towards Economic Empowerment and Prosperity of The Country

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Abstract

Financial attitude of individuals is a must to gauge the needs of country's economic empowerment and prosperity. A nationwide and comprehensive research on financial attitude and its related aspects can provide deeper implications for effective policy formulation. Many studies have documented a high level of association between the financial attitude and the outcomes of managing personal finances. Women around the world continue to climb the academic and corporate ladder, gain financial independence and amass personal wealth at unprecedented rates. Women excel at their work places, but when it comes to managing their hard earned money, many of them tumble. The irony of our financial culture is that working women, the so called financially independent women does not have enough independence to manage their personal finances; they lack the time and the desired abilities for managing their own money. So, they end up working for money and money does do any good work for them. It is in this context that the present study attempts to explore the four different but inter related dimensions of financial attitude of financially independent women of India namely-financial perceptions, financial knowledge, financial responsiveness and financial leverage.

As more and more women are entering the workplace and becoming more financially independent; their mind-set seems to be changing albeit gradually. Still many women lack the knowledge, inclination and leverage to take care of their personal finances and make it grow. The underlying fact is that the more the women make their own financial decisions, the more they will become confident, high self-esteemed and economically empowered. With better financial attitude, Indian women are expected to control their acquisitiveness for storing cash at home and learn to create better financial culture for higher returns. Better finance handling will boost their self-confidence, provide higher financial security and more empowerment to contribute to the socio-economic development and prosperity of the country.

Keywords

Financial perceptions, Financial knowledge, Financial responsiveness, Financial leverage, Economic empowerment.

Introduction

Financial attitude of individuals is a must to gauge the needs of country's development and prosperity. A nationwide and comprehensive research on financial attitude and its related aspects can provide deeper implications for effective policy formulation. The Government must create a policy environment conducive to the attainment of national goals of putting the financial resources of the economy to their optimum use so as to generate higher economic growth, while minimizing the financial stability risks.

Research around the globe has raised serious concerns about the financial attitude of the individuals. People are less financially literate, which get reflected in their lack of knowledge, lack of abilities to handle finances and less participation in the financial markets. Many studies have documented a high level of association between the financial attitude and the outcomes of managing personal finances. The lower level of financial awareness is one of the greatest concerns for the policy makers in all countries of the world. India, being no exception, rather it performs poorer. As per the results of the survey conducted by Live Mint and Wall Street Journal in 2013, India stands at a lowest position in financial literacy among the 16 participating countries from the Asia Pacific Region. The fact is supported by more researches that financial awareness and prudent financial decision making lacks among different socio-demographic groups. Financial awareness in India is very poor and more particularly among the women.

With the continuously changing financial markets and increased responsibility of individuals to manage their personal finances; the informed financial decisions with the right financial attitude become necessary for the economic empowerment and prosperity of the country. Financial awareness and proper financial attitude are essential for financial well-being and economic empowerment of individuals. Money and effective management of money is crucial for better livelihood and wellbeing. Therefore, the role of financially independent women towards their economic empowerment and the prosperity of the country become all the more crucial and pressing. They must be financial literate, inculcate positive financial attitude and bring financial well-being for themselves as well as their families and the society at large. Women's economic empowerment is vital to recognize women's rights and to attain greater development goals like poverty eradication,

higher education, better health, higher savings, sound post-retirement benefits and the overall economic prosperity of the country.

Defining the Concept

Financial attitude is the set of beliefs, skills and knowledge that allows an individual to make informed and effective decisions with their personal finances. It is the capacity to have familiarity with the financial planning and financial decision making. Financial attitude is not just about knowing the markets and investing; but the culture of savings, investing, and knowledge of basics of financial products, doing the financial planning and most importantly being financially smart.

The financial attitude of working women in India has been conceptualized as the sum total of four different but inter related dimensions---financial perceptions, financial knowledge, financial responsiveness and financial leverage.

Financial Perceptions

Financial perceptions are our cognitive behaviour to deal with money in our daily lives. The societal and cultural norms hold primary or exclusive responsibility on men to plan and monitor the financial resources of the family. Women participation in financial decisions is relatively low even in the most developed countries of the world. Women are perceived to be less confident and less capable to manage their personal finances and wealth of the family. They are known to be risk averse and safety oriented while dealing with financial matters. They have relatively less degree of risk taking ability and less autonomy in financial decision making. Their belief set is to have active saving habits; keeping savings at home; or investing in gold had been their priority; or they will invest in comparative affordable and easily accessible financial products and services with high degree of liquidity.

Thus, the primary manifestations of financial perceptions of working women could be;

- Lower degree of interest, confidence and capabilities to deal with financial matters.
- Higher propensity to save and hoard cash.
- Investment of part of surplus savings in safe and liquid avenues.
- The belief to get less social support to make and execute financial planning and financial decision-making of their own finances.
- The lower level of confidence to learn and use the skills required for investment in different financial instrument available in the market.

Financial Knowledge

The level of financial knowledge affect the quality of life significantly. Financial knowledge is the ability to use the education and skills to manage financial resources effectively for a lifetime of financial well-being. It is the process by which individuals improve their understanding of financial management to get empowerment to make prudent decisions regarding their personal wealth. Financial knowledgeable individuals are financially balanced, sustainable, ethical and responsible. They make better financial choices to improve the well-being of their family and the society at large. Financial literate individuals are always well prepared to make prudent decisions and navigate even in an increasingly complex financial markets. The lack of basic knowledge about financial products and services and their risk return framework can generate higher financial crisis, thus leading to higher financial instability in the economy.

The various manifestations of financial knowledge of working women include:

- The level of financial literacy.
- The basic knowledge about financial products and services.
- The risk return framework of accessible and affordable financial products and services.
- The skills to do financial planning and financial decisions making.
- The basics of banking, insurance, stock market and retirement plans.
- The ability to make prudent financial choices as per the individual needs.

Financial Responsiveness

Financial responsiveness refers to the responsibility and accountability of financial decisions. Managing finances has never been an easy task; even for the financial analysts especially in the era of global financial crisis. Indian women have shown less inclination and poor financial responsiveness in financial markets. Even with the right kind of financial perceptions and financial knowledge, many women do not dare to get involved in the financial matters. They do not wish to get exposed to the modern and innovative investment avenues. They may lack the motivation to grasp potential opportunities for investment or higher income generation. They are unwilling to take the onus of responsibility; they fear if their finances do not generate the expected returns. Many of the financially independent women may lack the self-confidence and willpower to manage their personal finances. They can continue to be risk averse, but must move forward to

hold the responsibility to do financial management within their own mindset and their financial attitude.

Financial Leverage

Financial leverage is the authority and the power to make financial decisions with one's own personal finances. It is the capacity to make independent decisions regarding the money earned by the individuals. In India, we find many working women, even at the higher academic or professional ladder; lacks the ability, capacity and capability to handle their personal wealth. Many women are found to be content with leaving the saving and investment decisions with their spouses or parents. Few other women may not get the conducive family support to deal with their personal finances and invest as per their own choices. There may be another group of women who are financially literate and hold the responsiveness also to make prudent investment; but they may not get the desired leverage or the independence to explore and invest in their preferred investment portfolios.

Review of Literature

The overview of literature becomes imperative in giving the statement of the problem, the aim of the study and in identifying the research gaps. A gist of the relevant studies relating to the research topic has been carried out and is given below;

Research study conducted by Indian Institute of Management Ahmadabad, by Prof. Sobhesh Kumar Agarwalla and his team in October, 2014 on "Effectiveness of Financial Literacy Interventions in Improving Financial Literacy among Rural Women in North India" was conducted to determine whether the financial interventions improve the financial literacy significantly in the long run and in the short run. Further the efficacy of the financial literacy training programs on the level of financial literacy of the participants were investigated. The study found that training is effective in improving financial literacy in the long as well as short term. But there is a significant decline in the financial knowledge and financial behaviour over the time. Joint training vis-à-vis individual training has a beneficial impact on financial attitude and financial knowledge. The women with low level of family income and low level of education benefit significantly from the training.

Financial Literacy and Education, Russia Trust Fund in June 2013, compiled the book titled "Women and Financial literacy; OECD/INFE Evidence, Survey and policy Responses". The book provided the conceptual framework for empowering women through financial awareness and

education. The study also identified barriers to address women's needs through financial education. Further the impact and effectiveness of financial education initiatives were deliberated in depth and concluded with the challenges and lessons derived from the analysis of case studies.

Tanvi Sebastian and Dr. Middi A Raju in "International Journal of Technology Enhancements and Emerging Engineering Research", Vol.4, Issue7, ISSN-2347-4289 published "A Study on the Financial Literacy of Professional Women in the District of Ernakulum, Kerala". They documented the fact that a lower level of financial literacy can lead to taking financial decisions that can have negative impact in the financial health of an individual. The study concluded that majority of women professionals are still financially illiterate on the concept of money management and investment. Majority of them are medium risk takers but they do make decisions in their personal investments.

"Investment Attitude of Women towards Different Sources of Securities – A Factor Analysis Approach," authored by Dr. Sellappan, Jamuna and Kavitha, in 'Global Research Analysis', February.2013, aimed to gain knowledge about the marital status and age factors influencing in investment behaviour of women towards financial instruments. The study found that younger and unmarried are more risk takers than older and married ones.

"A survey of Financial Literacy among Students, young Employees and Retired in India", by Prof. Sobhash K. Agarwalla and his team at IIM Ahmadabad in June 2012, conducted research study to map the financial literacy level of three important demographic groups, young working adults, retired and students. The study also attempted to understand the investment behaviour of both the retired and the working adults. The findings of the study suggested that high financial knowledge is not widespread among Indians-- Less than 1/4th rank among are highly knowledgeable by the OECD approach. More men are found to be financially knowledgeable than women. Respondents from rural regions score low on financial knowledge. The study suggested the urgent need for government policy measures to improve financial literacy.

A workshop on "Financial Literacy" was organized jointly by the UNDP, NABARD and Micro Save, on February.4, 2013 at Mumbai to deliberate the issues relating to the concept of financial literacy, the necessity to have financial literacy, who all need to be financial literate and in what respects, and the issues and concerns to spread financial literacy at all levels for the economic development of the country and to meet the emerging global challenges.

The present study aims to give a value addition to the existing literature by looking at different dimensions of the financial attitude of the financially independent women in India. A comprehensive research can be undertaken to explore the perceptions, knowledge (financial literacy), responsiveness and leverage of the Indian working women and its impact on the economic empowerment and prosperity of our country.

Present Scenario

Women around the world continue to climb the academic and corporate ladder, gain financial independence and amass personal wealth at unprecedented rates. Women excel at their work places, but when it comes to managing their hard earned money, many of them tumble. A significant change in the social support structures across the world has increased the individual's responsibility in managing their own finances and securing their financial future. Proper financial culture and prudent financial attitude are essential for financial wellbeing and economic empowerment of individuals. Women being part of country's growth and prosperity, are playing an important role by working at workplaces and enterprising in their own professional ventures.

Financially independent women should be financial literate with higher positive financial attitude. But studies reveal a different and unpleasant perspective. As per the study conducted by research agency Nielsen on behalf of DSP Black Rock published in Business Standard (July 2013), less than 1/4th (nearly 23 percent) of women make their own investment decisions. Rest 77 percent of women depend upon their spouse/parents for investment decisions of their personal finances. Out of the 23 percent, around 18 percent are single working women. According to the survey, while 92 percent of working women claim to be involved in the investment decision-making process, 70 percent of these women are actually joint decision makers and a majority of these, nearly 52 percent, are only informed about the investment decisions which have already been made. Most of the financially independent women are only informed of investment decisions, already taken, or at best are joint decision makers. Women are inclined towards safety and believe in long term investing, but reluctant to take risks, the report further adds.

The irony of our financial culture is that working women, the so called financially independent women does not have enough independence to manage their personal finances; they lack the time and the desired abilities for managing their own money. So, they end up working for money and money does do any good work for them. Women are known to allow their

spouses/parents to manage their earned money. Most of the women do not take their own financial decisions. They do not give proper value to their own abilities and talents and show less interests in learning financial management. Women have been content in leaving the financial decision to their male counterparts. Typically, women are highly conservative in their approach and cannot take erosion of capital. Not surprisingly, they prefer property, gold, fixed deposits, recurring deposits and insurance over equities and mutual funds.

The recent demonetization has brought the financial attitude of women in the limelight. Many women preferred to store money at home and in the bank lockers instead of investing in the suitable financial avenues. In this way, a big chunk of money is found to be lying idle instead of being circulated. This money could have been invested with the right kind of financial attitude and contributed to their growth as well as the growth of the economy at large. Even the women who have their bank accounts, refrain from saving and investing. The women with high pay packages in the corporate sector are also not very adept at making investments and are sitting on a lot of cash. The reasons for such financial attitude may vary from behavioural or psychological or lack of leverage to do their financial planning or may be financial insecurity. But this type of saving money is bound to aggravate financial vulnerability in the economy.

As more and more women are entering the workplace and becoming more financially independent; their mind-set seems to be changing albeit gradually. With women increasingly becoming the primary source of income for their families, they are learning to take charge of their own money. Although the mind-set of women is changing; now they do take advice from their male counterparts, instead of seeking permissions before taking investment decisions. Still many women lack the knowledge, inclination and leverage to take care of their personal finances and make it grow. The underlying fact is that the more the women make their own financial decisions, the more they will become confident, high self-esteemed and economically empowered.

Expected Outcomes of Improved Financial Attitude of Women

Improving financial attitude of financially independent women must be the first order concern for the policy makers by formulating the effective financial education interventions. The gains from improved financial attitude, higher financial literacy, more responsiveness and higher financial leverage can be reaped not only by the working women, who will be able to

manage their personal finances more effectively; but also by their family members and the society at large. They can help their families to meet their financial goals, especially at a time when the cost of living has been rising exponentially. With better financial attitude, Indian women are expected to control their acquisitiveness for storing cash at home and learn to create better financial culture for higher returns. Better finance handling will boost their self-confidence, provide higher financial security and more empowerment to contribute in the socio-economic development and prosperity of the country.

Despite the challenges and general lack of financial security, financially independent women show greater optimism about their financial future. They are better prepared to develop a conducive financial future that is healthy and more secure. Financially smart women can provide better educational opportunities for their children and can contribute to the nation building by nurturing the best human resource capital. With positive financial attitude, women can focus more on better health and improved lifestyles for themselves and their families and can also have better savings for their retirements and future plans.

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