A study of Basic Financial Knowledge among women working in service sector of Delhi

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Abstract: The study titled Assessment of Basic Financial Knowledge among Women in the Service Sector examines the financial literacy of 390 women in Delhi's service sector. Employing a descriptive survey method and snowball sampling, the research employs a self-constructed questionnaire, the "Financial Literacy Tool for Working Women," divided into demographic information (Section A) and financial competence assessment (Section B). Results indicate a moderate level of basic financial knowledge among respondents, revealing gaps in areas such as risk and return concepts, types of bank accounts, portfolio management, and time value of money. The study categorizes respondents into medium (72.8%), high (13.6%), and low (13.6%) basic financial knowledge levels. Despite an average score of 13.3 out of 19, highlighting a good understanding of financial basics, the research underscores the need for targeted interventions to address specific knowledge gaps. Findings align with previous studies, emphasizing the gap between financial education and practical decision-making. In conclusion, the study provides insights into the financial literacy of women in Delhi's service sector, recommends strategies for improvement, and emphasizes the importance of tailored interventions to enhance financial confidence.

Keywords: financial literacy, working women, financial knowledge, service sector.

1. INTRODUCTION

Financial literacy is a cornerstone of personal empowerment and economic well-being, playing a pivotal role in an individual's ability to make informed financial decisions. As a society progress and gender roles evolve, the importance of financial literacy becomes even more pronounced, particularly for working women. This research article delves into the nuanced landscape of financial literacy among women in the workforce, with a specific focus on the service sector in Delhi.In recent years, there has been a significant surge in the participation of women in the workforce across various sectors, marking a departure from traditional gender norms. As women contribute substantially to the economic landscape, it becomes imperative to understand the level of financial literacy among them. The service sector, encompassing a diverse range of industries, stands out as a key area of study due to its substantial female workforce.

The rationale behind exploring financial literacy among working women stems from the recognition that economic empowerment is intricately linked to financial knowledge. Women, despite their growing presence in the workforce, often face unique challenges that can impact their financial decision-making. Factors such as the gender pay gap, career interruptions due to family responsibilities, and societal expectations can influence the financial landscape for women. Therefore, understanding the financial literacy levels among working women is crucial for designing targeted interventions that empower them to navigate these challenges successfully.

FACTORS INFLUENCING FINANCIAL LITERACY OF WOMEN:

1. **Educational Attainment:** Higher levels of education are associated with improved financial literacy among women. Education provides a foundational understanding of financial concepts such as budgeting, investing, and debt management.

2. **Work Experience:** Exposure to financial decision-making through work experience is a significant factor in enhancing financial literacy. Women actively involved in financial responsibilities at work tend to develop practical financial knowledge.

3. **Age:** Age is a determinant of financial literacy, with older women often having more life experiences and opportunities for financial learning. As individuals age, they may encounter diverse financial situations, contributing to a broader understanding of economic matters.

4. **Societal Norms and Cultural Expectations:** Societal norms and cultural expectations play a crucial role in influencing women's financial literacy. Gender roles and stereotypes may impact women's confidence in independently engaging with financial matters, affecting their overall financial knowledge.

5. **Gender Pay Gap:** The existing gender pay gap is a significant factor contributing to financial disparities. Women earning less than men may face challenges in accumulating wealth and making informed financial decisions, impacting their overall financial literacy.

6. **Family Structure and Responsibilities**: Marital status and caregiving roles influence the financial literacy of women. Juggling work and family commitments can affect the time and energy women allocate to enhancing their financial knowledge. Family responsibilities may also impact the types of financial decisions women make.

7. **Access to Financial Resources:** The availability of financial resources, including access to banking services and investment opportunities, significantly influences the financial literacy levels of women. Limited access to these resources may hinder women's ability to build financial knowledge.

8. **Urbanization and Lifestyle**: The study's focus on women in the service sector in Delhi suggests that urbanization and associated lifestyles may be contributing factors. Urban settings often provide greater access to financial services and educational resources, influencing the financial literacy levels of women.

STRATEGIES FOR IMPROVING FINANCIAL EDUCATION AMONG WORKING WOMEN:

Implementing comprehensive financial education programs, targeting women in the service sector, is vital. Tailored workshops and online courses can cover fundamental concepts such as budgeting, saving, and investing. Collaborations with financial institutions can facilitate easy access to resources. Mentoring programs and peer support networks foster a learning community. Employers can integrate financial education into workplace training, ensuring practical relevance. Government and non-profit initiatives should focus on increasing awareness and providing accessible resources. Combining these strategies enhances financial education, empowering women with the knowledge and skills needed for sound financial decision-making in the dynamic service sector of Delhi.

OBJECTIVES FOR THE STUDY:

1. To explore the components of basic financial literacy.

2. To explore the importance of financial knowledge for women working in the service sector of Delhi.

3. To assess the basic financial knowledge of women working in service sector of Delhi.

2. RESEARCH METHODOLOGY

As the study's goal is to ascertain the levels of basic financial knowledge of the women working in the service sector of Delhi so, Descriptive survey method was carried out to conduct the present study .Through snowball sampling technique 390 working women in the present research have been selected as primary source for data collection.

"Financial Literacy Tool for Working Women"– **is a self-constructed tool that is used** in the present study. This tool measures the financial literacy of working women across socio-demographic. Some real features like ease of administering, scoring and interpreting were also found in this tool. The tool covers a wide range of questions/statements about savings, questions about investment, questions about inflation, questions about retirement planning etc. for which the respondents were required to choose the correct answers. The research instrument was framed taking Lusardi 2009, Mishra, 2015 and Bendre, 2017 as base studies. To serve the objectives of the study, the research instrument was divided into two sections:

Section A comprises of 7 questions which obtains the general information of the respondents relating to their demographic characteristics, namely, work experience, age, marital status, educational level, sector, types of organization and income.

Section B fundamental financial knowledge (financial competence) is assessed by questions concerning the respondent's familiarity with and comprehension of topics including investment scope and value, as well as taxation and insurance. Concept of disposable income, Financial Institutions, Problem-Solving, Numerical Reasoning, and Compounding Inflationary Thinking, Factoring in uncertainty, or discounting, The Workings of the Stock Market, Diversification, Risk/Reward Analysis, Value-at-Risk Analysis of Two Investments, Contextual factors influencing asset growth throughout investment horizons, Impact of Investing Time Horizon on Volatility, Allocation of assets, How Interest Rates Affect the Value of Different Assets, Consumer rights and obligations, Regulatory body as a part of market structure and KYC through 20 questions for which respondents have to choose the correct option from three alternatives given for each question.

3. DATA ANALYSIS PROCEDURE

The data collected through the tool was quantitative in nature. On the quantitative data, the researcher decided appropriate statistical techniques on the basis of objectives and hypotheses of the study. After collecting all the filled up questionnaires, the collected data was prepared for statistical analysis, so that meaningful analysis could be done and inferences could be drawn. The coding of responses was entered using MS-Excel Software and data was checked for missing entries. The frequency distribution of the demographic profiles of the working women respondents is estimated in the study. The frequency distribution demonstrate the frequency in numbers as well as in percentage. The frequency distribution is used to represents the frequency of the categorical responses such as demographics and responses received against the basic financial knowledge questions.

4. RESULTS AND DISCUSSION

While conceptualizing financial literacy, Angela et al. (2009) stated that financial knowledge, skills, behavior should at all times be considered as an important part of financial literacy and also further included financial knowledge as the most basic form of financial literacy.Lusardi and Mitchell, (2011) assessed financial knowledge by considering the understanding of basic financial concepts like simple and compound interests, inflation and diversification. In addition to this Delafrooz and Paim (2011) also revealed that financial knowledge and financial literacy have a closed association with each other.In the current study after a detailed literature review twenty questions related to the different aspects of basic financial knowledge namely s*imple interest ,compound interest calculations, inflation, time value of money, diversification, insurance, risk and return* etc.are included*.* All these questions were asked in the form of multiple-choice questions where only one choice was correct and others were incorrect. The correct answers are coded to be one and all wrong answers are coded as zero. Then the sum of the responses is calculated which is the measure of basic financial knowledge. The maximum score obtained is 19 and minimum score is 4 .The results of the responses received against the different questions in order to measure the basic financial knowledge of the women respondents is shown in table 1.1

Table 1.1: Question wise Frequency Distribution- Basic Financial Knowledge

| S. No	Statement	Correct Score Correct %	Incorrect Score Incorrect %
Q1	Which of the following is not a tax saving investment that can be claimed for tax deduction under 80 C ?	276(70.8%)	114(29.2%)
Q2	What is not a liability for the investors?	247(63.3%)	143(36.7%)
Q3	Minimum age required to open savings bank account independently is?	160(41.0%)	230(59.0%)
Q4	Inflation always reduces?	330(84.6%)	60(15.4%)
Q5	In a long span of time ,say 10 to 20 years, which asset gives higher return?	134(34.4%)	256(65.6%)
Q6	The Indian stock market is regulated by?	352(90.3%)	38(9.7%)

Q7	Accounts in which share of various companies are traded in electronic form are called?	354(90.8%)	36(9.2%)
Q8	Which of the following document is not officially valid KYC document?	373(95.6%)	17(4.4%)
Q9	When you invest for shorter period of time, that means you are willing to take?	209(53.6%)	181(46.4%)
Q10	Low Return on Investment indicates?	256(65.6%)	13 (34.4%)
Q11	Financial Net Worth of an individual can be increased by?	353(90.5%)	37(9.5%)
Q12	If the tenure and rate of interest is similar ,which yields more interest?	313(80.3%)	77(19.7%)
Q13	Which statement is true?	290(74.4%)	100(25.6%)
Q14	If you invest in multiple products of finance(diversification)it can help you in?	286(73.3%)	104(26.7%)
Q15	Disposable income is?	195(50.0%)	195(50.0%)
Q16	Risk strategy is?	301(77.25%)	89(22.8%)
Q17	A set of financial instruments in which you may have invested (portfolios) is considered efficient if it gives?	241 (61.8%)	149 (38.2%)
Q18	Long term financial investments may lead to?	122 (31.3%)	268 (68.7%)
Q19	Assume that your savings account gives 1 percent a year and inflation is 2 percent a year. After one year ,how much value would the money in the account buy?	67 (17.2%)	323(82.8%)
Q20	If your ATM Card has been stolen and an unauthorized transaction occurred due to negligence on the part of the bank within how many days you have to report to bank for zero liability on your part?	262(67.2%)	128(32.8%)

Out of 390 respondents, 70.8% were aware about the tax saving investment that can be claimed for tax deduction under 80 C,63.3% were aware about the various liability for investors, only 41% were aware about the minimum age required to open savings bank account independently,84.6% are aware about the concept of inflation, only 34.4% could tell which asset can give them higher return in a long span of time,90.3% have the knowledge about SEBI as the Indian stock regulatory body,90.8% know about the purpose of DEMAT account,95.6% can tell about the officially valid KYC documents,53.6% can tell the basic principle of taking risk ,65.6% can tell the concept of return of investments,90.5% were able to give correct answer for the question related to financial net worth of an individual,80.3% can tell that if the tenure and rate of interest is similar, compound rate will yield more interest than simple interest, 74.4% are aware that it is the underlying principle that higher the risk, higher the return,73.3% have the knowledge about the concept of diversification,50% can tell the concept of disposable Income,77.25% can tell the meaning of risk strategy as the strategy to manage risk,61.8% can tell that a portfolio is considered efficient if it gives maximum returns with given level of risk, only 31.3% can tell that long term investment may lead to increased risk of investments, only 17.2% respondents gave correct answer for the question on time value of money and 67.2% respondents are aware about their customer rights that if their ATM Card has been stolen and an unauthorized transaction occurred due to negligence on the part of the bank than within three working days they have to report to bank for zero liability on their part. The percentage analysis above is evident that women working in the service sector needs more knowledge about the concept of risk and return, types of bank accounts, portfolios according to long term

and short term risk of investments, time value of money and still need more knowledge about the customer rights and responsibilities.

Table 1.1.2 : Percentage analysis for Basic Financial Knowledge scores

Basic Financial Knowledge		Levels	Frequency	Percent
Basic Financial Knowledge	Less than 10 score	Low	53	13.6 %
	10 to 15 score	Medium	284	72.8 %
	More than 15 score	High	53	13.6 %
	Total		390	100.0
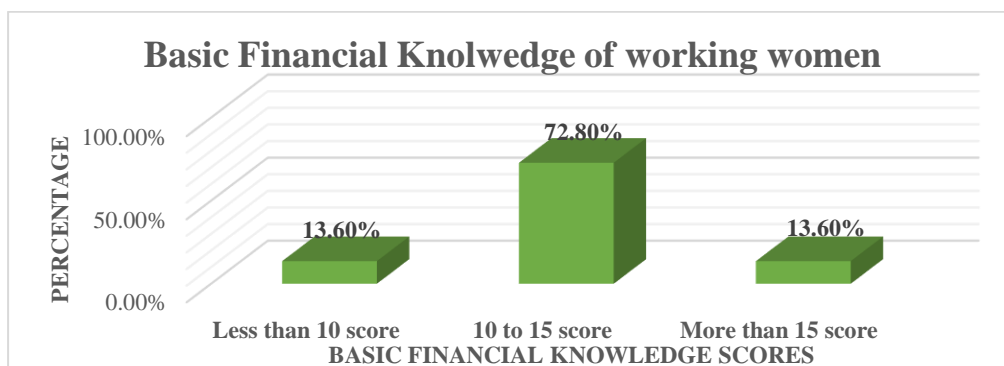
Fig 1.1: Level of Basic financial knowledge score of working women

According to the Table1.1.2 the respondents with score of more than 15 were considered as respondents with high basic financial knowledge who has the awareness and understanding about the various financial concepts. The respondents scoring from 10 to 15 are considered to have moderate basic financial knowledge. Finally, the working women who score less than 10 are considered to have low basic financial literacy. So, it was found that out of 390 respondents, majority of the respondents, that is, 284 respondents fall under the moderate basic financial knowledge comprising of 72.8% and 13.6% respondents with high basic financial knowledge and similar 13.6% with low basic financial knowledge with 53 respondents falling under respective category.

The result reported that the minimum and maximum scores of Basic Financial Knowledge is 4 and 19 respectively ,for advanced financial knowledge it's 3 and 15 and in case of total Financial Knowledge it's 7 and 32. The average score of Basic Financial Knowledge is found to be 13.3 out of 19 as maximum value. This suggests that respondents, on average, have a good grasp of financial basics. Last but not least, the average score on a survey measuring financial knowledge was 22.95 out of a possible 35 items. The majority of women in the service sector were found to have a moderate level of financial understanding.The findings mentioned above are supported by many studies in the past like, Kapil Choudhary and Smriti Kambo (2017) , Annamaria Lusardi,Crlo De Bassa(2017), Bernadette D'Silva ,Stephen D'Silva et al (2012) and Martha Klatt (2009) who found out that although women are getting finance education and knowledge in money and investments but still don't fully participate in retirement planning and are still feel less confident to take financial decisions independently.

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