Financial literacy a Life Skill: a concern for Indian Women

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Abstract - Today India is the fastest developing global economy, Who has moreover half female population. The development of women participation in the economy will not only help their own wellbeing but it is also important for the economic potential of the country. At present women are already acting as a part of economy in formal or informal way. Financial literacy among women becomes an important part of this process, regardless of the income constituency to which they belong. There needs to be a better understanding of their financial rights, responsibilities, their opportunities for income generation and the associated risks involved. This is particularly important for India, Where rapid economic and social transformation is occurring. This article is a trial to identify the financial literacy as an essential life skill and to sum up the barriers to women’s full financial empowerment in Indian society and to make recommendations for financial education initiatives targeting women and girls.

Keywords - Life skill; financial literacy; skill training program; census; financial decision making; gender difference.

I. INTRODUCTION

A national economy refers to the economy of an entire country. The national economy includes financial resources and management. It encompasses the value of all goods and services manufactured within a nation. The development of a national economy relies significantly over its population of which gender is an important aspect. Gender equality in terms of economic and financial opportunities is becoming increasingly relevant at both national and international level. Today female population is almost half of the world population. In order to develop the national economy one has to improve women education as it is the best way to improve the health, nutrition and economic status of a household that constitute a micro unit of a nation economy.

In India rate of female education is far behind that of male. As per the Census report 2011, the female literacy rate is 65.50 per cent whereas that of male is 82.10 per cent. In Census report 2001, the literacy rate of women was 54.16 per cent and that of men was 65.38 per cent. This shows a considerable growth in the overall literacy rate in the country but the gender difference can also be clearly seen.

<table>
<thead>
<tr>
<th>Population</th>
<th>Total 1,210,854,977</th>
<th>Males 62,37,24,248</th>
<th>Females 58,64,69,174</th>
</tr>
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<tbody>
<tr>
<td>Literacy</td>
<td>Total 74%</td>
<td>Males 82.10%</td>
<td>Females 65.50%</td>
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The above data refers to gender wise general literacy but this article specifically concerns about the financial literacy of the female in current Indian society. Financial literacy means the capability to make effective decisions regarding the use of money. A financial literate individual is able to make intellectual judgments and take effective choices regarding the usage of management of money (Noctor et al., 1992). It is very encouraging to see that today women are at per with men in all fields but when it comes to financial decision-making, they are still dependent on male members of their family. Ideally both men and women need to be sufficiently financially literate for active participation in the economy and to make appropriate financial decisions for their lives but women often have less financial knowledge and lower access to formal financial products than men. Sometimes, women are aware of the financial products and their handling but are reluctant to go for such options because of poor and incomplete information or lack of personal confidence. Women therefore have specific and additional financial literacy needs.

Women generally shoulder the primary responsibility of making the routine household expenses and the child rearing in Indian society. The new generation learns the early financial habits and skills from their mother, grandmother or other female member of their family. Therefore the adequacy of the financial skills is not only for them but also for the future generation.

UNICEF defines life skills as knowledge, attitudes and the ability for adaptive and positive behaviour that enable individuals to deal effectively with the challenges of everyday life.¹

‘Life skills’ have been defined as ‘abilities for adaptive and positive behaviour that enable us to deal effectively with the demands and challenges of everyday life.’ (WHO, 1993)

Financial literacy is a process of making meaning of, and understanding, financial issues and situations.

The significance of this ability make it a Life Skill. It requires:
* set of prerequisite skills (which importantly include literacy and numeracy);
* knowledge of how to access information and resources;
* confidence in one's own skills and knowledge; and
* a set of values relating to personal financial responsibility.

In addition, becoming financially literate requires information and services to be available, accessible, useful and useable.

“Unless we can force change on these issues, millions of young people who lack the skills to make effective financial decisions will find it harder to become productive and capable citizens,” said Richard Cordray, director of the U.S. Consumer Financial Protection Bureau.

“Unnecessary debt, missed opportunities to save money, poor credit history, and a general feeling of helplessness and desperation at finding themselves underwater throughout their lives will block them from the resources and opportunities that could improve their futures.”

II. MODELS FOR FINANCIAL LITERACY

Mason and Wilson propose a model for understanding financial literacy as shown in the diagram below. In this model, financial literacy is a process by which individuals use a combination of skills and
technologies, resources and contextual information to make decisions with an awareness of the financial consequences.

The consumer behaviour model proposed in *Australian Consumers and Money* takes this notion of a process further and, looking at things from the consumer's perspective, shows how external events, socio-economic background, personal characteristics, skill levels and choice of information can all shape the way decisions are made. It identifies the following 'things I can learn' as components of financial literacy:

* pre-requisite skills (literacy and numeracy);
* planning skills (budgeting and saving);
* investing skills;
* borrowing skills;
* spending skills;
* risk management skills;
* market awareness; and
* Rights and responsibilities.

The consumer behaviour model also categorises the means by which consumers get information and advice as formal sources, informal sources and intermediaries. The formal sources include information gained at school and directly from financial institutions or education programs. Informal sources include information gleaned from television, radio or other media; and intermediaries include friends and family.

III.  **BARRIERS TO WOMEN’S GREATER FINANCIAL LITERACY**

In almost all the societies, the issue of gender difference make the problem of low financial well-being more complex. Young women, widows, the less well-educated and low-income women lack financial knowledge the most. We speak of the empowerment of the Indian woman today, but the fact is women in India are still happy playing second fiddle to their fathers, brothers and husbands when it comes to managing their money. Even as we stand in the 21st century, women are found shying away from managing finances because they lack the confidence to do so. Main obstacles in this consequence can be listed as below:

1. The huge difference of male and female the literacy has long history of gender difference had weakened the self-confidence of the women.
2. Females spend comparatively less time in the paid work force than males, are less likely to be paid overtime than men.
3. Women are more likely to have interrupted career patterns due to caring responsibilities as they find themselves responsible for motherhood and child rearing.
4. Women’s employment is concentrated in lower paying sectors and occupations.
5. Generational poverty is also a strong factor that prevents the new generation from role models and support in their surroundings.

6. Cultural expectations about money are barriers to financial literacy for women who are expected to support extended family members.

7. Financial abuse by partners was also recognized as a barrier to women’s financial literacy and occurred across all groups of working women.

IV. RECOMMENDATIONS

a) To improve financial literacy we have to reach children at an early age. This will create a strong foundation. Special financial education programmes should be designed and included in school education right from the elementary stage.

b) Sufficient financial advice should be made available for working women of all class. Information regarding maintaining own account, credit and loans and their management, small but continuous savings etc. should be provided.

c) A financial orientation to the financial information should be made available to the women who recently started working. This includes budgeting, understanding employment agreements and contracts, knowledge of superannuation, signing rental leases, credit cards and car loan payments etc.

d) A woman goes through several transitional stages during her service period. The women should be trained to adjust with the situations and make correct financial decision at every step.

e) Financial literacy skills are equally important for older women who can no longer able to work. They should be trained with the basic level of numeracy so that they can deal with their retirement funds and pension.

f) Old age women and widows should be made aware of the investment opportunities, decision about property and other assets and various scams.

g) The agencies should make these skill training programs with very specific and clear targets. All the required socio-cultural needs should be acknowledged while programming.

h) The programs should be in a joint venture of all the government, semi-government and non-government agencies so as to make it comprehensive. Evaluating programs should also be associated to assure to level of success.

Financial assets provide a foundation of resources that women and girls can use throughout their lives. They reduce females’ vulnerabilities and protect against risks, while at the same time expand opportunities and provide a strong foundation for longer-term independence, control and economic security. Social and human assets can be built through programs that emphasize group formation, leadership development, and mentoring; financial assets can be built through programs that promote savings and financial literacy. Combined, these programs strengthen and reinforce each other and provide a foundation for women’s economic and social empowerment.

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