

A Comprehensive Study On Financial Literacy And Personal Money Management Among At-Risk Women

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How to cite this article: Fazal P,Sini VT.Mohanadasan T (2024) A Comprehensive Study On Financial Literacy And Personal Money Management Among At-Risk Women. *Library Progress International*, 44(3), 20661-20666.

Abstract

The primary objective of this research is to assess the impact of financial literacy on the money management practices of impoverished women. We employed multivariate analysis to evaluate the mean difference for categorical data and structural equation modeling (SEM) to examine the relationship between financial literacy and personal finance management. Our findings reveal a significantly positive correlation between financial literacy and personal finance management. Furthermore, we observed differences in the covariance matrices of general financial knowledge and personal finance management across age groups. Overall, these results suggest that financial literacy plays a crucial role in personal management.

Keywords- financial literacy, personal finance management, kudumashree project women,

1.INTRODUCTION

The financial sector in India has undergone dramatic change and has continued to expand in the last decade. Due to enhanced market complexity, it critical to comprehend financial concepts and make the best financial decisions (Kumari, 2022). A growing body of research in economics, finance, and publicly funded financial literacy surveys indicates that a major part of the population lacks the fundamental knowledge, skills, and attitudes necessary for effective and efficient personal financial management (Xu & Zia, 2012). Financial education is essential for improving financial literacy (Holzman (2010; Choli et al., 2005). A few researchers referred to the reasons for the 2007 monetary emergency to the difficulties looked by families and economies, underscoring the requirement for a "teachable moment" (Santos & Abreu, 2013). In addition, factors such as the rising cost of living, proliferation of financial products, all add to the rising interest of people to be more mindful in overseeing individual budgets (Xu & Zia, 2012). In a country such as India, the literacy rate is close to 80%; however, it is low when it comes to financial literacy. In a survey conducted a few years ago by the National Centre for Financial Education, only 27% of Indians answered financial literacy queries (Garg, 2020). The poor, the uneducated, and women may benefit from financial literacy by learning how to evaluate various financial goods and services to improve their usefulness and make sound choices. One of the major challenges faced by our nation is the empowerment of women, which can be attained only when they are financially literate (Singh and Kumar, 2017).

Kudumbashree, sent off by the public authority of Kerala in 1998, is presently viewed as one of the largest ladies enabling ventures in India. Kerala's Kudumbashree mission is one of the most effective schemes for the upliftment of rural masses. Women's empowerment has a positive impact on communities, as proven by Kudumbashree's success (C and Pushpa, 2020). Under Kudumbashree's women are continuously empowered with means of income, helping them improve their finances and manage their personal finances. (K & et al, 2021). It has contributed to the

socioeconomic progress of women in rural and urban ranges through the programmes of livelihood development (M B., 2018), and promises to minimize poverty via community development initiatives led by local self-governing bodies in Kerala's rural and urban areas (Jose, 2015). To foster a good social climate and bring about social change, Kudumbashree can be extremely important. (S, 2022). It empowered their female members and ensured that they had access to sufficient educational opportunities and skill training programs. (Malcom et al. 2021). The Kudumbashree Project empowers women and stimulates economic growth in the region (M, 2015). The main objective of this study is to examine how financial literacy influences money management practices of underprivileged women involved in the Kudumbashree project in Kerala, India.

The paper's structure is outlined as follows. The second section reviews relevant literature pertaining to the study's topic. Section 3 outlines the research methodology employed. The fourth section showcases the study's findings and results. Section 5 provides a discussion and conclusion on findings. The sixth section proposes policy implications based on the study's outcomes.

2.LITERATURE REVIEW

2.1 Financial Literacy and personal financial management

Making wise judgments and prudent choices regarding money can be made easier through financial literacy (Lusardi & Mitchell, 2009). A further description of this is the capacity of individuals to make well-informed choices on matters of budgeting, spending, and saving for future development (Roy Morgan Research, 2003). There has been an increase in the demand for financial literacy in communities, especially in emerging nations (Anthes and Most, 2000). Financial exclusion is recognized as an outcome of deficient information and comprehension of perplexing monetary items originating from obliviousness and low financial literacy. This issue is particularly prevalent among unbanked individuals living in rural areas. (Agarwal 2007). Additionally, it has been asserted that people who are uncomfortable or inexperienced with particular financial items may refrain from using them. (Cole et al., 2010). Furthermore, financial literacy helps people better understand mainstream financial services, which in turn encourages those who are unbanked, such as the illiterate, the destitute, and the impoverished, to stay away from non-financial services. (Braunstein & Welch, 2002). According to research, financial literacy is a critical tool for increasing financial inclusion in economically vulnerable populations (Lyons & Kass-Hanna,2019). The OECD defines finance literacy as the ability to make financial decisions and become financially secure through a wide range of skills and competencies (Nguyen et al.,2024). An individual's ability to manage a personal financial situation, such as repaying loans, investing in firms, and paying instalments, is an indication of their financial literacy (Mishra et al.,2021). Financial inclusion is a key factor in reducing poverty and promoting economic growth (World Bank 2018). An economically included household can save more, invest in education, launch a business, empower women, and improve health (Morgan,2020) Having access to formal financial services and establishing a credit history are opportunities for women to become financially independent. As a result, they can establish their creditworthiness and obtain loans and credit facilities (Adera & Abdisa, 2023). This study aimed to investigate the relationship between financial literacy and sociodemographic factors based on previous studies that provide age, gender, income, and educational levels as determinants of financial literacy (Fanta & Mutsonziwa, 2021). By promoting financial literacy, microentrepreneurs can accumulate savings, build wealth, and effectively manage their finances (Grohmann, 2018).

Interestingly, individuals in younger and older age groups, women, individuals with low levels of education, and the unemployed exhibited decreased financial literacy levels (Lusardi and Mitchell, 2011). there is a widespread deficiency in retirement planning across the population (Lusardi, 2012).

3.METHODOLOGY

3.1Research Design

This study employed a cross-sectional approach to collect data using a semi-structured questionnaire. Furthermore, the study implemented a descriptive approach, concentrating on quantitative information collected from 151 female Kudumbashree members from different Kerala districts. To ensure diversity, the participants were selected based on variations in age, educational background, and marital status.

3.2 Population & Sample Size

The study sample comprised 46,16,837 female Kudumbasree members (<https://www.kudumbashree.org>) residing in various Kerala districts. Kudumbasree members were selected for this study because of their extensive

participation in and utilization of formal financial institutions' fundamental financial services following their enrolment in the program. For this study, 151 women Kudumbasree members were chosen from the overall population of 46,16,837 women Kudumbasree members. The samples were acquired by applying sample size calculation formulas to the pilot study data.

3.3 Sampling procedure and Design

For the purpose of this investigation, a multistage stratified random selection approach was used to select 151 female Kudumbasree members. One district each from Kerala's north, south, and central zones was chosen for the study to provide samples.

3.4 Measurement of Variables

The financial literacy measure employed was the dimension of financial knowledge, which was adapted from earlier research by researchers such as Atkinson et al. and Lusardi (2008). The validity and reliability of these metrics has been confirmed in previous studies. These items also underwent reliability and validity testing. To study personal finance management, the Financial Management Behaviour Scale developed by Jing Jian Xiao (2011) was used as a basis with minor modifications. Items developed within dimension were aligned with a five-point Likert scale. It encompassed values of strongly agree = 5, agree = 4, neutral = 3, disagree= 2, and strongly disagree =1.

4.FINDINGS

4.1 Characteristics of sample

research results revealed that 89.4% of the families were married and 10.6% of the homes were single. Furthermore, according to the data, 33.1% of respondents fell into the 36–45 age group and 35.8% fell into the 26–35 age group. Additionally, the findings showed that 21.2% of the population belonged to the 18–25 age group, 9.3% were outside the 50-age group, and only 0.7% were below the 18 categories of age. The distribution of educational attainment among the 151 individuals in the population varied according to the educational background data. Significantly, the largest groups are comprised of people with a "plus two" (36.4%) and a "bachelor degree" (37.7%), suggesting that a considerable proportion of the population has finished undergraduate and higher secondary education. The percentage of people with a "master's degree" is lower (4.6%), indicating that they are a minority. While still a considerable share, those with a "SSLC" of 20.5% represent a well-educated population overall.

4.2 Influence of Financial Literacy on the Management of Personal Finances

SEM using AMOS was performed to assess the influence of financial literacy on the personal financial management of female members in the Kudumbashree Program in Kerala, India. Figure 1.

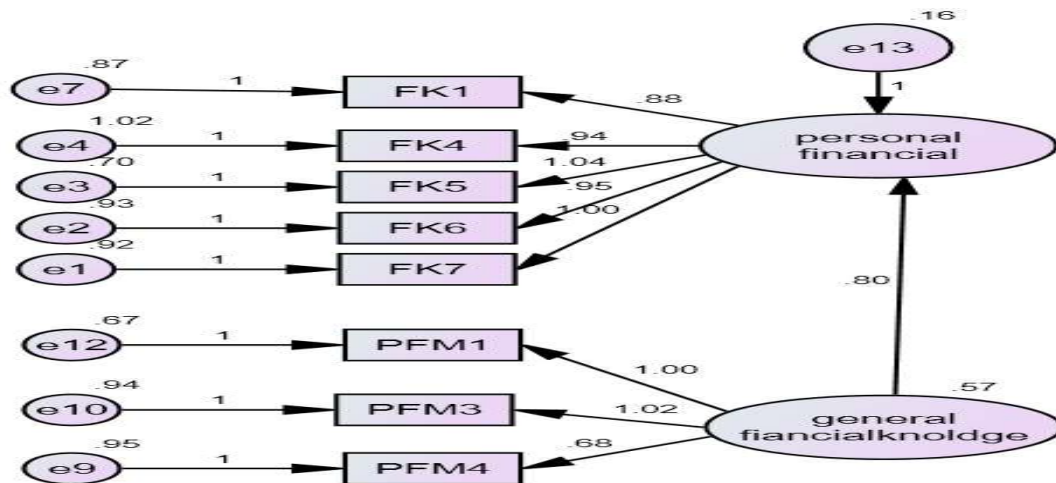


Figure 1: Structural Equation Model for effect of Financial Literacy on Personal Finance Management

The findings reveal that the unstandardized coefficient of general financial knowledge is 0.797, which represents the effect of general financial knowledge on personal finance management. The estimated positive sign implies that such an effect is positive in that personal finance management would increase by 0.797 for every unit increase in general financial knowledge, and this coefficient value is significant at the 1% level. The model fit well, as shown by the chi-square value of 34.521, degrees of freedom of 19, and probability level of 0.016. Additionally, the incremental fit index (IFI) was high at 0.940, outperforming the recommended value of 0.90. The Tucker Lewis Index (TLI) was 0.908, which was higher than the suggested value of 0.95. The root mean square error of

approximation (RMSEA) was 0.074, which was below the suggested cut-off of 0.08, and the comparative fit index (CFI) was 0.938, which was higher than the suggested 0.90. Detailed results are presented in Table 1.

Tale :1 Direct Effect of General Financial Knowledge on Personal Finance Management

Factors			Unstandardized co-efficient	S.E.	P-value
Personal financial management	<---	General financial knowledge	.797	.164	< 0.05**

Note: ** denotes significant at 5 % level

Once the convergence is satisfactory, AMOS presents a pleased face (yellow). As a result, this may also end. The value of C.S. was 1.0013; further samples can be discussed to acquire greater precision. The posterior dialog box now displays a frequency polygon of distribution that analyzes the effect of financial literacy on the personal money management. Based on this study, it can be concluded that the suggested model effectively expresses the influence of financial literacy on Kudumbashree women’s personal money management. Therefore, the null hypothesis was accepted.

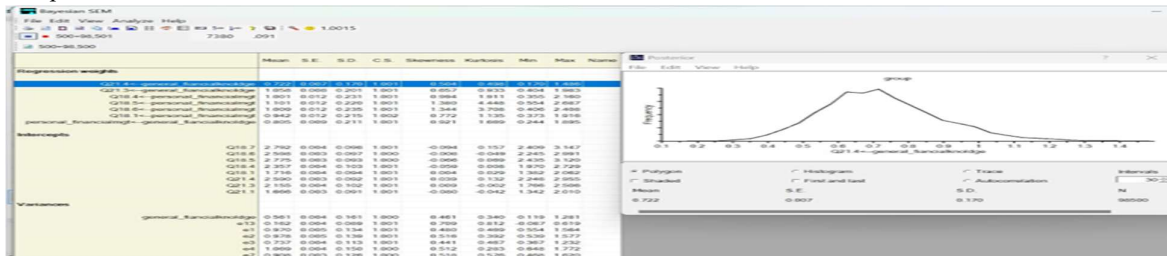


Figure 3: Bayesian SEM

6.3 Influence Financial Literacy and Personal Finance Management

Here, MANOVA is used to analyse the relationship between personal finance management and the general financial knowledge. The observed covariance matrices of personal finance management and general financial knowledge were equal across age groups and education categories. A significant result of Box's Test of Equality of Covariance Matrices is.002 for age, which is less than.05. Therefore, in this situation, our research hypothesis is supported and we can disregard the null hypothesis. The results show that there are differences among age groups in general financial knowledge and in how people manage their personal finances. Regarding educational qualification, if the p-value is greater than 0.05, we accept the null hypothesis and reject the research hypothesis. The results show that, across educational categories, the observed covariance matrices of personal finance management and general financial knowledge are equal. Further, the effects of age and education on financial literacy and personal finance management were insignificant since the p value is higher than.05 (sig .457 age and .543 in education). According to Levene’s statistics, As the p-value for general financial knowledge and personal financial management is less than 0.05, Depending on respondents' age, different financial management techniques and levels of personal financial literacy exist. And There was no difference in financial management techniques and levels of personal financial literacy based on education as the p value is greater than 0.05. further, test-between-subject effects in general financial knowledge and personal finance management are equivalent across age groups and educational qualification categories as significant values larger than.05. The results were further strengthened by the Tamhanes Post Hoc test of multiple comparisons of observed means.

5. DISCUSSION AND CONCLUSION

The discussion revolves around the hypotheses developed in this study. The results show a noteworthy and positive correlation between financial literacy and personal finance management of Kudumbashree members in Kerala. The hypotheses of the study were analyzed using structural equation modelling. The estimated positive sign implies that such effect is positive that personal finance management would increase by 0.797 for every unit increase in general financial knowledge and this coefficient value is significant at 1% level. additionally, the study examined how managing personal finances and knowledge of general finance affected different age groups among the participants. This finding was not supported by the statistical hypothesis. The findings indicate age-group differences in the

observed covariance matrices of general financial knowledge and personal finance management. The results show that across educational categories, the observed covariance matrices of personal finance management and general financial knowledge are equal.

6.POLICY IMPLICATION

Based on the findings of this study, people's personal financial management techniques are influenced by financial literacy. Hence, responsible entities, such as local self-government and banks should initiate financial literacy training programs. These initiatives can be disseminated through classes, lectures, and business clinics, targeting selected participants from village communities. Group participants may receive manuals, brochures, booklets, and modules on financial literacy throughout the training sessions.

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