

A STUDY ON FINANCIAL PLANNING AMONG WORKING WOMEN IN THE EDUCATION SECTOR

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Abstract

Personal financial planning is essential for the financial well-being of both men and women. Personal financial planning is attributed to differences in skills, knowledge, attitude, approaches, as well as opportunities presented. Various studies have established beyond any measure of doubt that women's participation in financial planning is very low. In comparison to men, women have to take breaks from their work due to marriage, childbirth, childcare, and elderly care at home. This interruption in their career leads to less earning and less saving opportunities for women as compared to men. Sometimes, women have to permanently leave their jobs due to family responsibilities. The life expectancy of women is more as compared to men and they thus need mandatory financial planning for their financial well-being and retirement. Also, women earn less and get fewer opportunities to get financial awareness which is a very important aspect of financial planning. Many initiatives are taken by the government to improve financial awareness among women in our country but the level of financial awareness is still alarmingly low. There is a need to make women financially independent and at the same time making them financially literate. This study is an attempt to ascertain the preferences of women working in the education sector of Punjab and Himachal Pradesh states towards financial planning. The financial planning aspects are analysed based on the understanding of financial terms, financial planning, tax

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management, liability management, insurance, retirement planning, and estate planning. The results of the study indicate that women are not participating actively in personal financial planning and a majority of them have little to no knowledge about financial aspects. There is a need to encourage working women towards participation in financial planning for their secure future.

Keywords: *Financial Planning Perception, Investment Preferences, Working Women Financial Planning,*

1. Introduction

Financial planning is a process of assessing the short- term and long-term financial goals of the client arising at different stages of life based on the client's income, savings and investments to achieve the financial goals (Sinha, 2008). It can also be understood as deciding what investments and activities would be most suitable under both personal and broader economic circumstances to achieve financial goals. Financial planning can be short-term and long-term. Short-term financial planning is less uncertain than long-term financial planning because of an increased uncertainty because of changing socio-economic scenario. Women are good at household budgets and money management, while men are good at making long-term investment decisions (Hung, et al., 2012). In a study conducted by a large fund house, around 77 percent of working or earning women in India were found to be dependent on their father, spouse, or other male members in the family to make investment decisions for them. Out of the remaining 23 percent working women, 18 percent were single working women. Financial or investment-related decisions in our country are generally informed to women without considering their opinions. The primary reason behind women not taking investment or financial decisions is that women are risk-averse and are thereby reluctant to take any risk. Systematic saving comes naturally to women and is very much helpful in planned investments. Many studies show that majority of the women don't

start savings early on in their careers or life and don't have proper retirement plans (Andrade, 2016). Women generally have low financial awareness and possess a low confidence when it comes to making financial decisions themselves. This scenario is also prevalent among working women who are earning and still reluctant to take financial decisions independently. In this study, working or earning women are considered for understanding their financial behaviour and factors affecting their financial planning.

2. Literature Review

Women generally have low confidence and are less inclined to learn about personal financial planning (Chen & Volpe, 2002). Women are less financially literate and less involved in retirement planning. Thus, there is a need to improve financial literacy level among women (Lusardi & Mitchell, 2005). Financial knowledge and financial planning are closely related. Women who possess higher financial literacy are more likely to successfully plan their retirement (Lusardi & Mitchell, 2008). Women are to a great extent lacking when it comes to retirement planning and are less active in financial matters as compared to males. Workshops and seminars are required to improve money-related knowledge among women (Klatt, 2009). Women need to be more confident and educated to achieve financial independence (Malhotra & Witt, 2010). Individuals who are more financially literate focus more on personal financial planning to avoid the adverse impact that poor personal financial planning might have on their life (Boon, et al., 2011). Women are good at household money management but lacking in critical areas of financial planning and investments. Effective education programs and the development of high-level policies are the need of the hour (Hung, et al., 2012). Women are conservative while taking financial decisions. There is a need to develop investment instruments that suit the risk-taking characteristics of women (Bhushan & Medury, 2013). There is a need to improve the financial literacy level among people and the focus should be on developing a positive financial behaviour and attitude

towards investments (Bhushan & Medury, 2014). Basic financial knowledge is essential for every woman. Apart from this, its application needs to be understood as well as practiced by them. The government should empower women and women need to continuously try to improve their financial well-being for a better future (Mishra, 2015). Women are conservative and prefer traditional investment modes such as bank deposits, insurance, gold, real estate and don't invest in derivatives, stocks, or mutual funds. There is a need to educate women about financial instruments so that they are able to trade-off between risk and returns (T.S & S, 2015). Women are dependent on their male family members for finance-related matters, which causes and further propagates less awareness among them. The active involvement of government, private sectors as well as employers, in the case of working women, in conducting financial literacy workshops can help spread awareness (Arora, 2016). With the government initiatives towards financial inclusion and financial literacy, there is a need to acknowledge the importance of women's financial literacy separately (Baluja, 2016). There is a need for financial education and customized financial products for women (Saviano, et al., 2017).

3. Research Objectives

- To study the preference towards financial planning among working women in the education sector.
- To analyze the effect of financial literacy level on financial planning among working women in the education sector.

4. Hypothesis:

- **H₀₁:** There is not a significant difference between levels of financial literacy and financial planning among working women in the education sector.

- **H₀₂:** There is not a significant difference between levels of financial literacy and management of taxes among working women in the education sector.
- **H₀₃:** There is not a significant difference between levels of financial literacy and managing liabilities among working women in the education sector.
- **H₀₄:** There is not a significant difference between levels of financial literacy and managing insurance among working women in the education sector.
- **H₀₅:** There is not a significant difference between levels of financial literacy and managing investment among working women in the education sector.
- **H₀₆:** There is not a significant difference between levels of financial literacy and managing retirement among working women in the education sector.
- **H₀₇:** There is not a significant difference between levels of financial literacy and estate planning among working women in the education sector.

5. Research Methodology

Working women in the education sector from Punjab and Himachal Pradesh are considered for this research study. The data has been collected through primary and secondary sources. For primary data, a close-ended structured questionnaire is used for the survey comprising closed-ended questions, attitude rating questions, and financial knowledge testing questions. To measure the women's financial literacy level, the financial literacy scale developed by Lusardi and Mitchell (2007) has been used. Based on the financial literacy scores, the women respondents were grouped into three categories namely High financial literacy, Medium financial literacy, and Low financial literacy. The maximum possible score for financial literacy was 10 (5 for basic financial literacy and 5 for advanced financial literacy). Preference towards financial planning is measured using

5 points Likert scale divided into 7 components of financial planning. The study employed the non-random convenience sampling method for data collection of 135 working women of the education sector from Punjab and Himachal Pradesh. The primary data has been analyzed using statistical tools like percentages, bar charts, quartile, and mean scores. The hypothesis has been formulated and tested at a 5% significance level and conclusions are then drawn.

6. Data Analysis and Results:

6.1 Demographic Detail: The demographic profile of working women respondents is shown below in Table 1.

Table 1: Demographic Detail of Women Respondents

Variable	Category	Frequency	%	Variable	Category	Frequency	%	
Organizational Type	Public	41	30%	Educational Qualification	Graduate	46	34%	
	Private	94	70%		Post Graduate	82	61%	
Place	Punjab	77	57%		Doctorate	3	2%	
	Himachal Pradesh	58	43%		Others	4	3%	
Marital Status	Married	65	48%		Monthly Personal Income	Less than Rs.25,000	72	53%
	Single	68	50%			Rs.25,000 to less than Rs.50,000	35	26%
	Others	2	1%			Rs.50,000 to less than Rs.75,000	14	10%
Employment Status	Contractual	58	43%			Rs.75,000 or more	14	10%
	Permanent	77	57%					
Age	21 -30 Years	85	63%					
	30-40 Years	41	30%					
	More than 50 years	9	7%					

The demographic profile shows that a majority of women in the education sector are working in private institutes (70%) and a few have government

jobs (30%). A majority of the respondents are young (63%) and a few are above 50 years of age (30%). Also, most of the women respondents are post-graduate (61%) and a few (2%) have done a doctorate (Ph.D.). Earning status is not good as around half of the respondents, about 53% of them earn less than 25000 per month, followed by 26% respondents earning between 25000 to 50000, while 10% respondents earning between 50000 to 75000 and more than 75000 per month each. The marital status shows that 50% respondents were single, 48% were married and the remaining 2% respondents were either divorced, separated, or widow. Overall, a majority of the working women employed in the education sector who participated in the study work are young, working in private institutes, and earning less than 25000 monthly.

6.2 Perception of Personal Financial Planning: The perception of personal financial planning among working women of the sampling area for the study is shown in Table 2.

Table 2: Perception of Personal Financial Planning Among Working Women in the Education Sector

Component	Subject	Mean score
Financial Planning	Understanding of financial planning.	3.37
	Set financial goals and objectives for life	3.42
	Gather data and analyze current financial position before making a financial decision	3.51
	Execute the financial plan with the help of experts	3.05
	Review the financial plan periodically after the implementation.	3.3
Managing Taxes	Utilize the various tax relieves and rebate entitled to while filing the tax return.	3.31
	Happy to pay tax as the amount is very minimal as compared to others.	3.29
	Manage their taxes.	3.19

Managing Liabilities	Pay off the full credit card outstanding amount every month.	3.39
	Interest charged by financial institutions on credit card outstanding amount is reasonable.	2.85
	Pay mortgage and hire purchase instalments on time every month.	3.44
	Personal loans offered by financial institutions are a convenient tool to use and to borrow.	2.9
Managing Insurance	Have sufficient insurance coverage in the event of death, disability, or sickness	3.02
	Have only life insurance, no other type of insurance	2.73
	Can distinguish the different types of insurance policies offer in the market.	3.28
	Do not have any insurance.	2.34
Managing Investment	Invest money based on the opinions of others.	2.7
	Understand my risk profile- high-risk taker, medium risk-taker, or the low-risk taker.	3.34
	Invest in different investment instruments	2.68
	Appreciate the interest compounding effect	3.16
	If given a lump sum of money, know how to use it properly	3.29
Managing Retirement	Know the amount needed to fund a comfortable retirement.	3
	Have started planning for retirement.	2.9
	Have a formal retirement plan that was developed in consultation with a financial professional	2.6
	Employee Provident Fund contributions are sufficient for retirement.	2.67

Estate Planning	Have a will.	2.46
	Understand what trust is.	2.99
	Estate planning is important	3.1
	Estate planning leave the peace of mind	3.12

Note: “1” = Strongly agree; “2” = Agree; “3” = Neutral; “4” = Disagree; “5” = Strongly disagree

The perception towards financial planning among working women in education sector is measured using 5 points Likert scale divided into 7 components of financial planning. Respondents with mean score less than 3 are considered as having low preference towards financial planning and those with more than median score are considered as having high preference towards financial planning. Respondents with a mean score of 3.37 are considered aware of financial planning and the ones with a mean score of 3.42 have set financial goals for life. The ones with a mean score of 3.19 are considered to be able to manage taxes. With a mean score of 3.39, respondents are paying credit cards outstanding on time and with a mean score of 3.44, they pay other instalments on time. Respondents with a mean score of 3.02 are carrying insurance for the coverage of events like sickness, disability, and death and with a mean score of 3.16, they appreciate interest compounding effect. Responders, with a mean score of 3, are aware of the amount needed for retirement but a fewer number of respondents have started retirement planning with a mean score of 2.9 and few have retirement planning after consultation with financial professionals with a mean score of 2.6. Respondents are also aware that estate planning is important (mean score of 3.1) and few have a will (mean score of 2.46). The mean score of working women respondents shows that they have an understanding of financial planning and have financial goals. They are able to manage liabilities and investments but only a few of women respondents have formal retirement plans.

6.3 Relationship between Women’s Financial Literacy and Personal Financial Planning:

The relationship between financial literacy and personal financial planning among working women in the sampling area of the study is shown below in Table 3.

Table 3: Financial Literacy Effect on Personal Financial Planning

Components of Personal Financial Planning		High Financial Literacy	Medium Financial Literacy	Low Financial Literacy	F Value	Significance
Financial Planning	Mean	3.84	3.1094	3.027	11.14	0.000
	N	45	53	37		
	Std. Dev.	0.56825	1.08809	0.89711		
Managing Taxes	Mean	3.7704	3.0126	3	10.117	0.000
	N	45	53	37		
	Std. Dev.	0.67353	1.09185	0.94281		
Managing Liabilities	Mean	3.6444	2.9057	2.8851	11.099	0.000
	N	45	53	37		
	Std. Dev.	0.81445	0.98086	0.75368		
Managing Insurance	Mean	3.4222	2.9057	2.7514	7.468	0.001
	N	45	53	37		
	Std. Dev.	0.56604	0.98262	0.90481		
Managing Investment	Mean	3.1833	2.7075	2.6216	6.539	0.002
	N	45	53	37		
	Std. Dev.	0.63827	0.86705	0.81142		
Managing Retirement	Mean	2.8611	2.8208	2.6689	0.515	0.599
	N	45	53	37		
	Std. Dev.	0.73962	0.93333	0.99487		
Estate Planning	Mean	3.1833	2.8208	2.7365	3.092	0.049
	N	45	53	37		
	Std. Dev.	0.69167	1.03934	0.86792		

Firstly the women respondents were categorized into low, medium, and high literacy levels based on their financial literacy scores and quartiles. Women who scored more than 7 out of 10 are categorized under high financial literacy. The ones scoring between 4-6 are categorized under medium and those who scored 3 or less than 3 are categorized into low financial literacy. To test the hypothesis of whether the survey results are

significant or not, the ANOVA test was applied with a 5% significance level ($p < 0.005$). The results are as follows:

H₀₁: There is a significant difference between levels of financial literacy and financial planning among working women in the education sector.

H₀₂: There is a significant difference between levels of financial literacy and management of taxes among working women in the education sector.

H₀₃: There is a significant difference between levels of financial literacy and managing liabilities among working women in the education sector.

H₀₄: There is a significant difference between levels of financial literacy and managing insurance among working women in the education sector.

H₀₅: There is a significant difference between levels of financial literacy and managing investment among working women in the education sector.

H₀₆: There is not a significant difference between levels of financial literacy and managing retirement among working women in the education sector.

H₀₇: There is a significant difference between levels of financial literacy and estate planning among working women in the education sector.

7. Findings and Suggestions

The study has found that financial planning is perceived as important among working women in the education sector of Punjab and Himachal Pradesh. It was found that while women are educated, the financial literacy level is not high among the majority of the women working in the education sector of these states. It was also found that working women with high literacy levels actively participate in financial planning and have a formal financial plan for long-term goals like marriage, child education, and

retirement. Women with low financial literacy are on the other hand found to be less active in financial planning activities and do not have any formal financial plan. The results of hypothesis testing and ANOVA test bring forth a positive relationship between financial literacy and financial planning. Based on these results, it is concluded that financial literacy has a significant effect on financial planning among women. Thus, by improving the financial literacy levels among women, their financial participation can be improved. Considering the importance of financial literacy and financial planning, it is suggested that the government should step forward to improve the financial literacy level among women. There is an evident need for formal training and refresher programs to enhance financial literacy and personal financial planning among working women in the education sector.

8. Discussion

In the current study, close-ended structured questionnaire was used to collect the primary data from the working women of Punjab and Himachal Pradesh. By arguing that financial literacy level doesn't affect women's participation in financial planning, a structured questionnaire was designed to know the financial literacy level, the effect of financial literacy, and financial participation among working women. The results of the study indicate that women have basic financial knowledge but do not possess sound advance financial literacy. Nonetheless, the results agree with the argument from the existing literature that women possessing high financial literacy tend to participate in financial planning (Lusardi & Mitchell, 2008); (Sinha, 2008); (Sykes, et al., 2005); (Hung, et al., 2012) ; (Roy & Jain, 2018). While distinguishing the working women's financial planning based on their financial literacy level, the results of the study suggest that financial literacy level directly affects the preference towards financial planning. Our results contradict the existing research (JULIA, 1998); (Sykes, et al., 2005) which suggests that there are other factors such as social, cultural, and emotional factors that affect financial planning among women. Our observations signify the need for financial education programs and training

for women for their secure future from a financial standpoint. Government and organizations should also initiate for creating awareness (Malhotra & Witt, 2010); (Bhushan & Medury, 2013); (Mishra, 2015); (Baluja, 2016) ; (Saviano, et al., 2017). The study has used a close-ended structured questionnaire and the possibility of misinterpretations of the survey questions. Also, there are chances of biased responses from the respondents.

9. Conclusion

The level of education plays an important role in financial planning and decision making. The study shows that women with high financial literacy are more focused on personal financial planning in comparison to those who have less financial knowledge. Income also plays an important role in financial planning. The study shows that women with higher income levels are also actively focused on personal financial planning than women who earn less. Literature reviews on women's financial literacy and financial planning also indicate that there is a need to enhance the financial literacy among women for the improvement of their financial planning participation. There is a need for active, rigorous and continuous initiations from the government and other institutions towards the conduction of workshops and seminars on women financial literacy and financial planning participation. This goes on to confirm that financial literacy is a useful indicator of an individual's financial planning decision. When effective financial planning becomes widespread among women, women will be more independent and empowered, thereby stimulating economic growth.

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