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INFLUENCE OF FINANCIAL LITERACY ON FINANCIAL PREPAREDNESS, FINANCIAL WELLBEING AND ECONOMIC EMPOWERMENT OF SALARIED WOMEN

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ABSTRACT

Promoting gender equality and empowering women is crucial for achieving the Sustainable Development Goals (SDGs), enhancing justice, inclusion, and sustainable development. Financial literacy among women is a powerful catalyst for achieving sustainable development goals, as it empowers them to make informed financial decisions that promote economic stability and societal well-being. By equipping women with financial knowledge, we ensure they play a pivotal role in fostering responsible resource management and creating opportunities for future generations. Gaining financial literacy and economic power provides women with the instruments necessary for preparedness and well-being, allowing them to make significant contributions to prosperous economies and resilient communities. India as well as Kerala is experiencing dramatic changes in demographic dynamics It has implications for designing policies and programs vital for social security and welfare. Challenges of the nuclear family on one side and reforms of the financial sector on the other have opened new opportunities as well as threats for the working class as a whole and women in particular. These changing circumstances are forcing women to take up new roles and responsibilities concerning financial management. This study measures the influence of financial literacy on financial preparedness and economic empowerment among salaried women in Kerala. This study collects primary data using 600 questionnaires distributed to salaried women in Kerala across three zones. Preliminary analysis was done using the Statistical Package for Social Sciences (SPSS 20.0), and the Analysis of Moment Structures (AMOS-18) was used for confirmatory factor analysis (CFA) and structural equation modelling (SEM) along with Microsoft Excel for data entry. The study reveals a strong correlation between financial literacy, financial preparedness, excellent financial health, and economic power. This means that raising the level of financial literacy among salaried women in Kerala can help them become more financially prepared and powerful economically.

Keywords:
Economic empowerment, Financial Literacy, Financial Preparedness, Financial wellbeing, Kerala

Introduction

Improving the quality of life has always been the demarcated goal for centuries, even though the areas for enhancement were ill-defined. Every quality improvement revolves around money or finance. Households often overlook money management. Higher educational institutions are bombarded with courses focusing on managing corporate finance, financial and risk management, etc., along with varied professional courses. But how does an individual budget, save, invest, or get themselves prepared for the future? It varies with individuals and their profiles, differs with states, and contrasts with countries. Kerala is moving from a young to an aged population, and this turn is changing the family system and structure, creating more imbalances and challenges for salaried middle-aged people. Saving for retirement is posing new challenges for younger generations. As per the Census 2011, the total literacy rate in Kerala is 93.91%. As per the RBI Quarterly statistics (March 2018), Kerala has the largest number of bank branches among the semi-urban areas in the country. According to the All-India Investment and Debt Survey (2012), the portfolio allocation across asset categories shows that 78.9% of the households in Kerala invest in real estate, 13.1% in gold, as low as 2.8% in financial assets, and 1.8% in retirement accounts. Kerala households have the highest rate of participation in non-life insurance (agriculture, medical, and accidents) at 14.90%. The breakdown of debt across product types reveals that 38.3% of households have mortgage debts, 31.6% have unsecured debts, 20% have non-institutional debts, and 17.2% have gold loans. Most importantly, the results of the study exploring family suicide in Kerala by Kuttichira (2018) show that financial crisis is the reported or perceived cause of family suicide and accounted for 11 incidents (34.4%).

Women constitute 52% of the total population in Kerala (Census 2011). Girls outnumbered boys in higher education (51.8%) and at the post-graduation level (67.01). According to the 2018 economic review of the Kerala State Planning Board, 22% of houses in Kerala are female-headed. Women are taking up breadwinner roles with little or no understanding of money management. Basic financial management skills are essential for survival under unfavourable economic conditions. Financial literacy necessitates an awareness and understanding of how money functions, which in turn aids in budgeting, saving, and investing. This knowledge leads to improved preparedness and well-being, particularly in the context of women's empowerment. This, in turn, paves the way for a secure transition towards ageing with dignity. Thus, this study assesses the level of knowledge and understanding of salaried women in Kerala when it comes to money management and their attitude and ability to save, budget, invest, and prepare for the future. Findings about financial literacy, preparedness, and well-being, along with an understanding of the demographic factors, are the most important things that this research adds, which can be used to make policy, train people, and improve pension plans. This in turn will help in channeling women's income into the financial system through the creation of awareness contributing to the development of the economy.

There are differences in how men and women understand money matters. The capability to manage money and survive unforeseen financial shocks is important for individuals, households, and the economy as a whole. Women are at decisive times, as they are moving from financial dependence to financial independence and are often forced to take control over money matters in the course of profound changes in their lives. The complex economic and financial climate, along with social and demographic changes, necessitate immediate attention to improve opportunities for women's financial and family well-being. It is crucial to understand salaried women's money management practices and their preparedness for future financial requirements. And further, it is equally important to understand the barriers women face when dealing with day-to-day finances.

Defining financial literacy hardly takes into consideration the larger view but focus on basic money management tools like saving, budgeting, investing and insurance (Worthington, 2006). Similarly, Huston (2010) considered financial knowledge as an integral part of financial literacy in considering the difference stressing on the importance of individual to have ability and confidence to use the financial date to form choices in financial matters. Higher financial literacy is linked to better personal financial well-being. According to OECD/INFE 2023 International Survey of Adult Financial Literacy, Adults who achieve the minimum target financial literacy level have much greater financial well-being and resilience. The findings of the study of the role of financial literacy in improving financial inclusion reveal that several areas of financial literacy, such as savings management practice, debt management practice, investment management practice, and financial planning management practice, have a significant positive impact on financial inclusion among women (Zahid, R.M.A et al, 2024)

Many studies pointed out the gender disparities in financial literacy. A study by Drolet M (2016) on gender differences in financial knowledge concluded that women were less likely to consider themselves to be knowledgeable in financial matters. Bhushan et al. (2013) surveying 516 salaried individuals, concluded that the level of financial literacy varied with the respondent’s level of income, education, employment and place of work. Financial literacy can guide the preparedness of employees for retirement (Joo and Grable 2005). Men are more likely to prepare for retirement than women (Zaniboni, 2015). The research by ANZ (2018) expresses, that regardless of people’s knowledge, other factors such as psychological influences, social and economic surroundings and the ability to act have more imperative influences on financial well-being. India was ranked as 133 out of 156 countries on the UN 2018 World Happiness Report placing far below when compared with most developing nations around the world and close to the very bottom of the South Asian countries surveyed. The degree of socio-economic equality and freedom adored by women normally defines the status of women. The most significant contributor to the gender gap in economic wellbeing and empowerment is the ownership and control of property and economic resources (Andal, 2002).

Methods

The study aims to assess financial literacy and its influence on financial preparedness and economic empowerment of salaried women in Kerala. For this study, the women in Kerala who are working in organized sectors or employed in any organization (public or private sector), state, or central government and are drawing a salary constitute the sampling unit. 600 questionnaires were distributed. A multistage sampling technique was applied to collect data. The actual questions and statements about financial literacy that were used to measure perceived financial literacy, financial preparedness, financial well-being, and economic empowerment were made using information from previous surveys, research studies that were looked at, operational definitions, and the opinions of experts. During the pilot study, the questionnaire was developed and validated through various stages. The instrument was pretested with 5 respondents, discussed with experts in the field, and observed. On a five-point Likert scale from strongly agree to strongly disagree, the 100 people from three zones were asked to rate the statements. Scores were given as follows: 5 for Strongly Agree, 4 for Agree, 3 for Neutral, 2 for Disagree, and 1 for Strongly Disagree for positive statements and -1 for Strongly Disagree for negative statements. Data thus collected were analyzed using exploratory factor analysis using the Statistical Software Package for Social Sciences (SPSS). All the factors loaded were retained in the questionnaire for the main study. The Statistical Package for Social Sciences (SPSS) 20.0 version was used for preliminary analysis of data, and Analysis of Moment Structures Software-18 graphics (AMOS) were used for Confirmatory Factor Analysis and Structural Equational Modelling along with Microsoft Excel 2016 for data entry. Frequency distribution, percentages, mean, standard deviation, mean score analysis, bar charts, one-way ANOVA, post hoc test, K-S test for normality assessment, factor analysis like exploratory factor analysis, confirmatory factor analysis, and structural equational modelling were used.

Results

Correlation was seen as appropriate to analyse the relationship between the two variables which were interval-scaled and ratio-scaled. Furthermore, correlation coefficients reveal the magnitude and direction of relationships which are suitable for hypothesis testing. This study used the Pearson Correlation to analyse the influence of financial literacy on financial preparedness, financial well-being and economic empowerment. The result is exhibited in **Table 1**. Pearson Correlation is used to test the hypothesis:

H1a: There will be a significant relationship between financial literacy and financial wellbeing. H1b: There will be a significant relationship between financial literacy and financial preparedness. H1c: There will be a significant relationship between financial literacy and economic empowerment.

Table 1: Correlation of Financial literacy with -Financial wellbeing, financial preparedness, Economic empowerment

	Correlation	Lower bound	Upper bound	Z	P
Financial literacy-Financial wellbeing	0.744	0.732	0.756	27.229	<0.001
Financial literacy-Financial preparedness	0.812	0.803	0.821	34.021	<0.001
Financial literacy-Economic empowerment	0.648	0.632	0.664	20.805	<0.001

From the **Table 1** it can be observed that the correlation of financial literacy with financial well-being, financial preparedness and Economic empowerment is greater than 0.5 and the p-value is significant. So, it can be concluded that there exists a positive relationship between financial literacy with financial well-being, financial preparedness and Economic empowerment. In other words, the above hypothesis H1a, H1b, H1C is accepted. Since there exists a significant relationship between the variables, the full structural equation model is done to evaluate the mathematical or functional relationship between financial literacy with financial well-being, financial preparedness and Economic empowerment.

Table 2: Model fit Indices for CFA

	χ^2	DF	P	Normed χ^2	GFI	AGFI	NFI	TLI	CFI	RMR	RMSEA
Obtained	1.504	1	.220	1.504	.999	.987	.999	.998	1.000	.510	.029
Recommended value				<5	>0.9	>0.9	>0.9	>0.9	>0.9	<1	<1

All the attributes loaded significantly on the latent constructs. The value of the fit indices indicates a reasonable fit of the measurement model with data. The GFI (.999) exceed the recommended value of
0.90 (Hair et al., 2010). AGFI value (.987) indicates an acceptable fit (Gefen et al., 2003), comparative fit index (CFI) value greater than 0.90 and normed fit index (NFI) which is greater (.999) indicate an adequate fit (Bentler 1990). The RMESA (root mean square error of approximation) which is .029 is an adequate model fit (Hu and Bentler 1999).

The regression coefficients are presented in **Table 2**. The results as presented in the table indicate regression estimate of 0.139, with critical ratio=3.418 for financial wellbeing, p<0.001 while for financial preparedness the values are regression estimate =0.242, critical ratio or t-stat =6.033, p<0.001 and for economic empowerment, regression estimate =0.988, critical value =62.428, p<0.001.

Table 3: The regression Coefficients

Path	Regression coefficient (Path coeff)	Critical Ratio (CR) t-Stat	P	Variance explained	Average Variance Extracted (AVE)	Composite Reliability (CRC)
Financial Literacy →Financial well being	0.139	3.418	<0.001	1.93	0.35	0.90
Financial Literacy →Financial preparedness	0.242	6.033	<0.001	5.86		
Financial Literacy →Economic empowerment	0.988	62.428	<0.001	98		

For the proposed model the regression equations are:

Financial wellbeing = 0.139 Financial literacy

Financial preparedness = 0.242 Financial literacy

Economic empowerment = 0.988 Financial literacy

The results of the **Table 3** revealed that financial literacy significantly influenced financial wellbeing, financial preparedness and economic empowerment (p value was significant). When financial literacy goes up by 1, the financial wellbeing increases by
0.139 standardized deviation (Cunningham 2008). Secondly, when financial literacy goes up by 1, the financial preparedness increases by 0.242. Thirdly, when financial literacy goes up by 1, the economic empowerment increases by 0.988. Thus, all the hypotheses, financial literacy positively influences financial preparedness, financial wellbeing and economic empowerment is accepted.

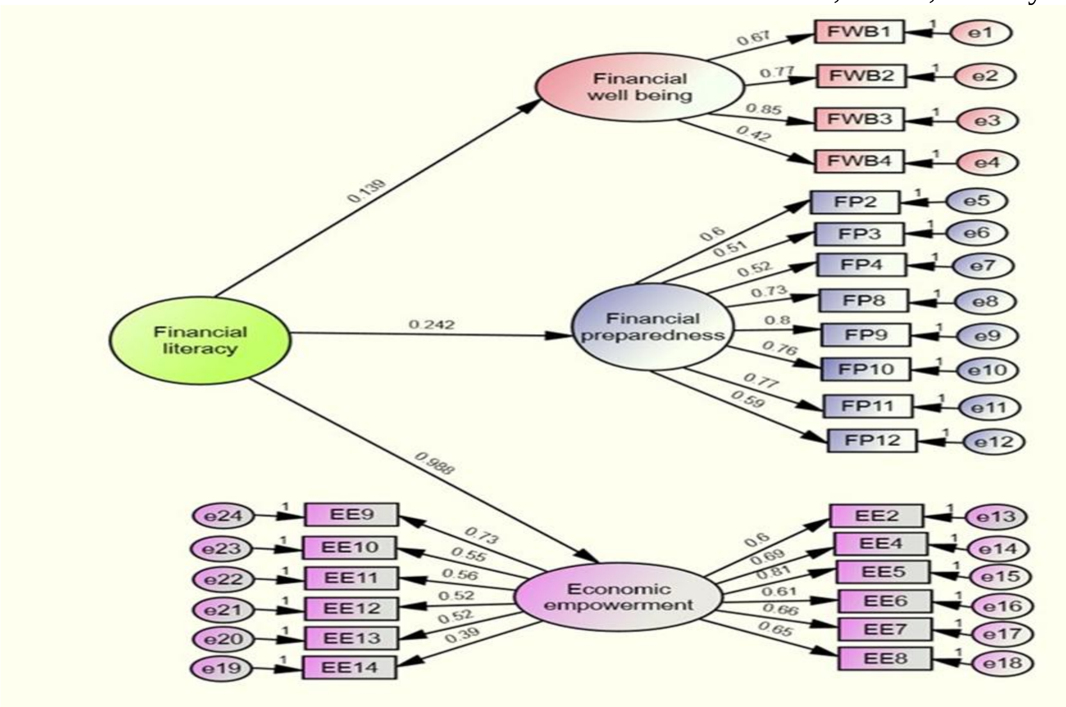

Fig 1: SEM model

The analysis revealed that financial literacy is significantly positively correlated with financial preparedness (Parker et al., 2012), financial wellbeing (Worthington, 2006) and economic empowerment (Postmus et al., 2013) indicating that by increasing the level of financial literacy of salaried women their financial preparedness, financial wellbeing and economic empowerment can also be enhanced.

Table 4: Results from Testing

Hypotheses	Path	Standardized Regression weights	p	Decision
H_{1a}	Financial Literacy →Financial well being	0.139	***	Supported
H_{1b}	Financial Literacy →Financial preparedness	0.242	***	Supported
H_{1c}	Financial Literacy →Economic empowerment	0.988	***	Supported

Source: Analyses presented in previous sections Note: ***p<0.001

Discussion and Implications for policy and practice

It's never too late to start, but the earlier, the better. Managing finances is critical for financial security, irrespective of how much money one earns. At an individual level, financial literacy helps individuals become self-sufficient and attain financial stability. It comprises the ability to save money, differentiate between wants and needs, be able to budget, pay bills on time, and meet all financial requirements. Being literate helps women create a roadmap that will assist them in making the right financial decisions. Right decisions will lead to the allocation of resources, which in turn leads to financial preparedness. Financial preparedness empowers women and relieves them of financial stress, leading to financial well-being. As society progresses, it sheds light upon women's progress from their status of dependence to independence. It is equally important that women within themselves should feel the urge to grab these opportunities. By 2050, one in six people will be over the age of 60 in India. Secondly, increased life expectancy was found to be the highest in India, along with labour market displacements due to technology, the new digital marketplace, and volatility in the financial markets—all alarming signals for India, as well as for states like Kerala. If responsible governance, rather than

financial pundits, determines the emphasis on financial inclusion, it will have a better chance of success. Women are likely to adopt new habits supported by new technology when they see clear benefits, have better confidence in the services, find it suitable, and have enough money for it. Women should understand their financial issues, budget their expenses, save, and diversify their portfolio of investments. We need to boost women's confidence level to increase their market participation. Women are contributing to household income, and this income needs to be channelled towards financial products and services. Improving financial literacy, financial preparedness, financial well-being, and economic empowerment requires continued and collective effort by the community at large, schools, governments, and employers, as well as financial institutions. The role of individual household units is equally important. The first transformation should start at the individual and household level. Exposure to ideal practices in financial matters can lead to behaviours in the long run. Increasing consumerism in Kerala is a threat and will lead to
financial burden and stress. This will lead to fewer savings even in dual-income households. Non-savers can become savers through proper awareness. Educators can help by organizing programs and seminars to raise awareness about saving money among parents and children. Follow-up is also equally important. The media can play a significant role in raising awareness about various financial avenues and assisting women in gaining financial empowerment. Employers can reduce the gender gap through various organisational policies and programs and thus empower women economically. Financial guidance for saving, investing, allocating funds for retirement, and choosing loans through financial counsellors, as well as online resources or interactive company sites, can help women reach their financial goals. Early in their working lives, women should understand the importance of voluntary enrolment in savings. The government of Kerala and NGOs should identify the various aspects of women’s lives and come up with schemes that will assist and support financial management in each stage of life. Socio-economic factors are to be considered while framing policies.

Conclusion

In this era, women do not want to become a financial burden to loved ones. Financial institutions should come forward with products and services suitable for women, considering their priorities, which are affordable, tailored, and accessible for women. The results of this study clearly show a lack of financial preparation in all areas. In this study, an effort was made to understand financial literacy in detail and the variables along with financial preparedness, financial well-being, and economic empowerment of salaried women in Kerala. However, further areas in these fields can be reconnoitered, taking the present study as a base. In the present study, the unit of analysis is salaried women. This can be widened to include women as a whole to know more about how women deal with finance even when they don’t earn. Enduring, rather than one-time, research efforts are needed to address the financial issues faced by women in Kerala. Factors that limit women’s financial literacy and financial preparedness need to be focused on more in the coming years. Financial well-being is the most neglected area and is most relevant in the coming years because of the financial burden and increasing financial stress among households. Further research is desirable to determine measures of financial well-being and understand the factors influencing financial well-being. The changes also should be examined over time for the population at large and particular groups. The present study depended more on the perception of the respondents on various topics rather than actual financial literacy or preparedness. To further validate the studies, future research can include actual knowledge, its relation with investments, and link these with financial preparedness and financial well-being.

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