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Financial Literacy Practice: A Complete Guide to Women's Empowerment

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Over the past few years, the concept of financial literacy and financial education has risen in the policies of academicians, social groups, businesspeople, government bodies, organizations, and policymakers. A lot of research has also been done in the past, on the concept of financial education either from policy perception or realistic perception. Many researchers and policymakers strive to offer a conceptual definition of financial literacy through many studies. Financial literacy is acquiring knowledge about financial matters of contention, understanding concepts of saving and spending patterns, using that knowledge to make informed decisions, and assessing available expertise. Financial literacy is important for both men and women so that they may share responsibilities and make the most of their financial independence. Experts feel that knowing about financial literacy and putting it into practice are two completely different things. Financial literacy empowers women to make informed decisions about their finance which results in women being more prepared in the event of an emergency, as financially savvy also sets a positive example for their kids. Financially literate women are more confident in their decision-making abilities. This chapter attempted to present the fundamentals of financial literacy to put into practice in one's own

life to achieve financial wellness. In the research the author found even women with high education and professionals or salaried also lack financial literacy due to their negative financial behavior and financial attitude. The author put effort into steering the conceptual framework of financial literacy toward the real practice of financial literacy. In the research studies, the author considered the four determinants of financial literacy viz., Financial Knowledge, Financial Skills, Financial Attitude, and Financial Behavior which were the fundamentals of practicing financial literacy. Due to the lack of a universal model for financial literacy practice, this paper serves as comprehensive guide to practice financial literacy from scratch level. Irrespective of backgrounds every woman can easily understand how to put financial literacy in practice and empowers women in the professional or personal life.

Keywords: Women, Financial literacy, education, knowledge, fundamentals

INTRODUCTION

The present study emphasizes that individual income can be enriched with financial literacy only. The financial standard level can be improved through proper utilization of financial resources and proper financial planning. In this process, both women and men play an equal role. But unfortunately, Indian women don't have deserving priority in developing economies and productive areas. Though women occupy half of the population of the nation they are kept behind in financial matters, the prime reason for this is the dependence of women on men. To liberate women from such dependency the government is playing an important role through different supporting schemes.

Women's development in various fields is progressive but women still lag in financial protection. The prime reason for the weak financial protection among women is the lack of financial literacy. So many economists have identified the importance of financial literacy in economic growth. But the most alarming fact is that India is lagging in financial literacy when compared to economically developed countries. Financial literacy is an important part of women's financial and non-financial freedom. Being financially ignorant can result in a variety of issues. Women may be more prone to debt accumulation, poor spending habits, or a lack of long-term planning. Financial literacy gives people, particularly women, the ability to make their own decisions. If a woman is financially literate, she can take the appropriate steps in the event of an emergency or unforeseen occurrence.

However, based on previous studies, just a small number of women can add to and enhance their current wealth. Given the increasing importance of women's responsibilities in the domestic and public spheres, these low rates indicate that there is still a long way to go.

Women's enrichment and financial literacy go hand-in-hand. Increasing women's financial literacy will assist them in more effectively achieving their life and career goals. Financial independence acts as a safety net in the event of unforeseen events. According to several studies, financial dependency makes it difficult for women to leave abusive familial situations or marriages. Even for women who have jobs, their earnings are frequently viewed as supplemental, and they are expected to shoulder additional obligations at home.

Financial literacy is important for both men and women so that they may share responsibilities and make the most of their financial independence. Empowering women within households is essential for their overall well-being and the betterment of society. Household women can be empowered through economic independence, education and awareness, health and well-being, legal awareness, and participation in decision-making.

Hence, financial literacy serves as a catalyst for women's empowerment through which women can become economically independent and financially educated. Experts feel that knowing about financial literacy and putting it into practice are two completely different things. So, this paper puts effort into presenting a simple guide to practicing financial literacy for women even though ignorant of this concept. The four financial literacy determinants can be achieved by following the stages, leading to women's empowerment.

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FINANCIAL KNOWLEDGE

1. **INCOME**

Income is the money that a person or entity gets for their work or products. To be financially empowered, women need to:

a) ***Income Sources***: Women should know where their money comes from. This can be from different sources, such as jobs, freelancing, investments, or businesses.
b) ***Computation of total Income:*** Women should add up all the money they make from different sources. This includes their net salary, bonuses, and any other income streams.
c) ***Classification of Income***: Women should split their income into two types:
   - Fixed Income: This is the money that is regular and certain, such as salaries or rent.
   - Variable Income: This is the money that changes or is uncertain, such as commissions, freelancing, or business income. Being economically empowered means making money and knowing how to manage it well.

2. **EXPENSES**

Spending is the money that we use to buy goods and services. To be financially empowered, women need to:

a) **Track the Spending:** Women should keep track of where their money goes. Some personal finance and credit card platforms can help by labeling purchases into categories like 'department stores' or 'automobiles.' This can help women see if they are spending too much on impulse buys or unnecessary subscriptions.
b) **Budget the Spending:** Women should plan how much money they want to spend on different things. They should divide their spending into two types:
   - ***Needs:*** These are the things that we need to live and survive. They are expenses that we cannot skip or delay. Needs are usually stable and consistent over time.

- ***Wants:*** These are the things that we want to have or do for fun and pleasure. They are expenses that we can choose or change. They include clothing, jewelry, movies, dining out, travel, and home decor.

Wants are unlimited and vary depending on our preferences. Being financially empowered means spending money wisely and having a clear budget.

1. SAVINGS AND DEBT REPAYMENT

Financial empowerment for women involves allocating funds strategically. This includes provisions for retirement, emergency funds, and other savings. It also encompasses paying off high-interest credit cards and other "toxic" debts, such as daily payment loans. Additionally, it means going beyond the minimum payments on 'good debts,' such as student loans and mortgages. Women's financial empowerment extends to building an emergency fund, saving monthly, making extra loan payments, and exploring other investment opportunities. Financial empowerment is a crucial step toward gender equality and independence.

2. BUDGET

When it comes to achieving financial security and stability, a budget is one of the best tools one should have — it puts one in control of one's finances and helps to save money for professional goals. The trick is finding a financial tracker that works which help women to empower themselves. The future cannot be predicted, but there are a few basic questions that need to be answered early in life. Like –

- Time of retirement.
- Plans after retirement.
- Plan to buy a house.
- Children's plans etc.

List out the priorities and write them down. The process of writing it down will help to simplify things. Most people fail to manage their finances simply because they don't have a clear agenda for themselves. This practice will help to understand how much one needs to save for each goal and for how long. More importantly, priorities change over time, so modify the personal financial plan accordingly.

The following methods can help to create a budget –

a) Elizabeth Warren and Amelia Tyagi - 50-20-30 method:

A good way to keep it simple is to use a percentage-based budget that breaks down your monthly after-tax income into categories. One of the most common types of percentage budgets is the 50/30/20 rule. The idea is that he divides his income into three categories, spending 50% on necessities, 30% on needs, and 20% on savings.

b) ***Envelope Budgeting:***

This method is also useful for those who want to control their budget categories and the amount allocated to each category. Allocate money to each category and withdraw it from the bank account. Then put the cash in envelopes labeled according to the category.

c) ***Zero-Based budgeting:***

Dave Ramsey introduced this method which is accompanied by the slogan "Let's assign every penny a job." With zero-based budgeting, the money one receives as income is directly deducted from one's account. Use part of the money to pay utility bills or mortgage and the other part for retirement or emergency funds. So, every penny counts. If one uses this method to save and spend exactly the amount in each category of one's budget, it will be neither positive nor negative. So, one would be at Zero.

d) The 60% Solution

Similar to the balance money formula, this method uses percentages rather than specific amounts to manage your finances. This method was first suggested by his then MSN Money Editor-in-Chief Richard Jenkins. He claims to recommend a 60% solution because budgeting itself is so weighty due to the amount of work involved.

60% of income goes to what Richard calls "fixed expenses." This includes mortgages, groceries, basic clothing, car payments, insurance, and more. These are bills that must be paid monthly.

The remaining 40% of his income is divided into 4 categories, with 10% of his income allocated to each category. They are:

- Retirement
- Long-term savings
- Short-term savings
- Fun money.

FINANCIAL SKILLS

There are many ways to achieve financial skills for women empowerment, such as:

- Accessing and using formal financial services, such as bank accounts, mobile wallets, loans, and insurance, which can expand their economic opportunities and potential.
- Budgeting, saving, investing, borrowing, and planning for the future, which can help them achieve financial security and stability.
- Contributing to the family income and asserting their preferences, which can increase their participation and voice in household and community decisions.
- Pursuing their professional and personal goals, such as education, entrepreneurship, and retirement, by creating and following a financial plan.
- Seeking financial education and guidance, through formal and informal channels that offer relevant and practical information and skills.
- Supporting women's entrepreneurship and employment, through policies and programs that facilitate their access to markets, networks, and resources.
- Advocating and campaigning for women's rights and equality, through legal reforms, social movements, and media campaigns that challenge the stereotypes and biases that affect women's financial status.

Understanding financial goals helps determine the necessary savings for each objective. Empowerment begins with informed choices and deliberate planning.

Empowering women financially involves understanding the fundamental principles of good financial planning. Let's explore the key aspects:

1. Saving and Asset Building:

Saving and asset building are important aspects of women's empowerment, as they enable women to have more income, wealth, and economic security. By saving and accumulating assets, such as money, land, or businesses, women can improve their well-being, productivity, and earning potential; increase their participation and voice in household and community decisions; and plan for their future and legacy. However, many women face barriers to saving and asset building, such as limited access to formal financial services, restricted control over their own money and assets, insufficient financial education and awareness, and gender-based discrimination and violence. Therefore, it is important to promote financial inclusion and literacy for women, as well as address the underlying structural and cultural factors that hinder their saving and asset building. You can learn more about this topic by visiting the links below.

2. The Importance of Saving:

Savings are important for women's empowerment, as they enable women to have more income, wealth, and economic security. By saving money, women can improve their well-being, productivity, and earning potential; increase their participation and voice in household and community decisions; and plan for their future and legacy. However, many women face barriers to saving, such as limited access to formal financial services, restricted control over their own money and assets, insufficient financial education and awareness, and gender-based discrimination and violence. Therefore, it is important to promote financial inclusion and literacy for women, as well as address the underlying structural and cultural factors that hinder their saving. Savings are a lifeline for improving financial well-being. Without a savings cushion, achieving personal goals and sustaining a career becomes challenging.

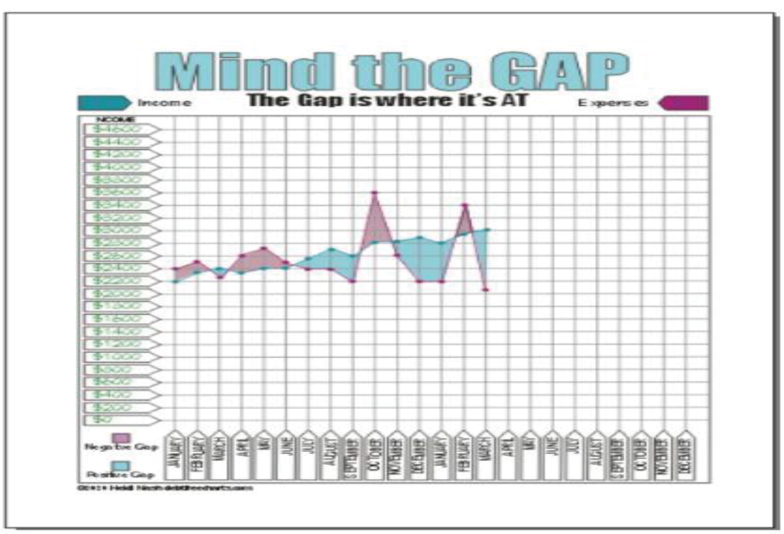
3. Balancing Income and Expenses:

Control over expenses is crucial for building substantial savings.

- Understand your current spending patterns—it serves as the foundation for estimating future income needs.
- Reliable income sources, such as social security benefits, pensions, and fixed payments, should align with your spending habits.
- In cases where expenses outpace income, retirees can rely on other assets to meet their financial needs.

Financial empowerment begins with intentional saving, thoughtful planning, and a clear vision for the future.

A comprehensive financial plan helps define the "gap", the difference between income and expenses. This gap determines how much money one needs and when one needs it. One can make that gap wider positively by using some techie apps to control expenses like Expenses Tracker, Excel sheets, etc., one of the best techniques which is easy to access by anyone irrespective of education and technical knowledge. Mind the gap- Income/Expenses graph or chart.



In this chart on the X-axis, Jan- Dec months were taken and the amount was taken in the Y-axis. Plot the monthly income in one color and expenses in another color. Once two months are plotted, a gap will be created. Differentiate positive gap and negative gap with different colors. The wider the positive gap, the better one is doing financially.

Asset building:

Building assets is the pathway to prosperity. Assets—ranging from savings accounts and business ownership to education and healthcare—form the bedrock of financial stability. Consider the following:

1. **Diverse Assets**:
   - ✓ Assets encompass a wide spectrum: owning a car or home, investing in education, building retirement savings, acquiring work skills, and nurturing social networks.
   - ✓ Each asset contributes to resilience and empowerment.
2. **Life with Assets**:
   - ✓ Living with these assets stabilizes families, bolsters self-determination, and fortifies communities.
   - ✓ Without them, life becomes unpredictable, and financial struggles persist paycheck to paycheck.
3. **Empowering Possibilities**: With assets, individuals can navigate emergencies, leverage good credit, invest in education and enhance risk.
   - ✓ ***Navigate Emergencies***: Asset ownership provides stability during financial crises.
   - ✓ ***Stay Rooted***: Assets allow people to remain in their homes and neighborhoods.
   - ✓ ***Leverage Good Credit***: Asset ownership facilitates securing mortgages and loans.

- ✓ ***Invest in Education***: Pursue higher education for personal growth or their children's future.
- ✓ ***Embrace Risk***: Take calculated risks—whether seeking better job opportunities, starting businesses, or saving for retirement.

Empowering women involves not only earning income but also accumulating assets that enhance their quality of life.

Financial Attitude

Financial attitude reflects an individual's approach to financial matters. It encompasses not only the ability to plan and maintain a savings account but also one's state of mind, perspectives, and judgments about finances. Let's explore this further:

1. **Positive Financial Attitudes:**
   - ✓ Status and Authority Attitude: Recognizing the importance of financial stability and leveraging it for personal growth.
   - ✓ Financial Management Attitude: Embracing effective money management practices.
   - ✓ Financial Goal-Oriented Attitude: Setting clear financial objectives and working toward them.
2. **Negative Financial Attitudes:**
   - ✓ Big Spenders: Prioritizing immediate consumption over long-term financial health.
   - ✓ Shoppers: Excessive spending without considering consequences.
   - ✓ Debtors: Accumulating debt without a strategic plan.
3. **Beliefs and Perceptions Matter:**
   - ✓ Our financial attitudes significantly impact daily decisions and long-term outcomes.

- ✓ Demographic factors—such as age, gender, education, occupation, and income—shape our financial mindset.

4. **Steps Toward a Positive Financial Attitude:**

- ✓ Set Clear Goals: Prioritize what truly matters. Balance short-term needs with long-term aspirations.
- ✓ SMART Goals: Ensure your financial goals are Specific, Measurable, Achievable, Relevant, and Timely.
- ✓ Budget for Happiness: Allocate funds for things that bring joy. Aim for 50% of income on necessities (housing, food, medicine), 30% on desires (vacations, learning), and save 20%. Debt repayment can come from the same 20%.

5. **Financial Literacy Matters:**

- ✓ Educate yourself about money management.
- ✓ Surround yourself with like-minded individuals who value financial well-being.
- ✓ Read and learn continuously to enhance your financial knowledge.

A positive financial attitude empowers women to make informed choices and build a secure future.

Financial Behavior

One of the ways that women can achieve financial independence and empowerment is by adopting healthy financial behaviors. These include setting realistic and specific goals, budgeting wisely, saving regularly, investing smartly, and seeking professional advice when needed. By following these steps, women can take control of their finances and build their wealth and confidence. Various factors influence financial behavior, including education, culture, personality, income level, and personal experiences. Let's explore this further:

1. **Positive Financial Behaviors**:

Adopting positive financial habits can lead to long-term stability and security.

Key behaviors include:

- ✓ ***Budgeting:*** Creating a spending plan to allocate resources effectively.
- ✓ ***Saving:*** Accumulating funds for future needs and goals.
- ✓ ***Debt Management***: Handling debts strategically.
- ✓ ***Investing:*** Growing wealth over time.
- ✓ ***Avoiding Impulsive Spending***: Making deliberate choices aligned with financial goals.

2. **Building Good Financial Habits**:

- ○ Start with the basics:
  - ✓ Understand your income sources and expenses.
  - ✓ Create a simple budget to track spending.
- ○ Prioritize:
  - ✓ *Emergency Fund*: Set aside funds for unexpected situations.
  - ✓ *Debt Understanding*: Know your debt and manage it wisely.
  - ✓ *Savings Goals*: Define clear objectives for saving.
- ○ Seek Resources:
  - ✓ If this feels unfamiliar, don't worry—many resources can guide you toward financial well-being.

3. **Financial Success Habits**:

- Understand your financial picture:
  - ✓ Budget meticulously and track expenses.
  - ✓ Build an emergency fund for peace of mind.
  - ✓ Save for retirement preparedness.
  - ✓ Repay debt systematically.
  - ✓ Pay bills promptly.
  - ✓ Regularly review insurance coverage.
  - ✓ Differentiate between wants and needs—living within your means is essential.

Developing sound financial habits empowers women to navigate life confidently and build a secure future.

Conclusion:

The determinants of financial literacy discussed above serve as fundamental building blocks for practicing financial literacy. It is essential to instill financial literacy at the micro level (individuals and households), particularly women empowerment to drive economic growth at the macro level. This paper provides valuable insights for women to achieve financial well-being by embracing the core principles of financial literacy.

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