

**FINANCIAL LITERACY AMONG RURAL WOMEN: A STUDY WITH REFERENCE
TO KUNDAPUR TALUK**

By

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ABSTRACT

Financial literacy plays a major role in poverty alleviation and economic growth of emerging economies. Proper management of finances is of immense help to every household. The study of development of financial literacy gained momentum after the year 2000. The financially weaker sections of the society need to realize the ill effects of poor financial management and take steps to gain financial education. People tend to learn about financial management from their own experiences and the experiences of their family and friends than any prescribed education. In every rural family the role of women in financial aspects cannot be neglected, moreover, financial literacy among rural women is an under researched area. Hence, the paper titled "Financial Literacy Among Rural Women - A Study with Reference to Kundapura Taluk" addresses the following objects: To understand the level of financial literacy amongst rural women, to explore the various financial engagements of rural women, to know the various sources of financial literacy, to study the impact of financial education among rural women and to examine the perception of rural women towards financial education.

Keywords: Financial Education, Financial Literacy, Personal Finance, Financial Inclusion

INTRODUCTION

The complexity of the financial world has increased when compared to a decade ago. In 1980's and 1990's basic knowledge of operating a savings bank account, recurring deposit and fixed deposit was considered sufficient financial education. It was not necessary to have a comprehensive understanding of compounding interest and the different types of loans. But these days the common man is compelled to have a thorough knowledge of the broad spectrum of financial services.

The financial resources an individual possesses and the efficiency with which the financial resources are utilized decides the standard of living of an individual. Those with lower income and education are unable to spend wisely due to paucity of financial knowledge which is once again proved in the US sub-prime mortgage crisis.

This is an era of information where everyone has access to information and knowledge which has empowered individuals in improving their quality of life. But the rural poor women are most of the time deprived of opportunities offered by information revolution.

In developing countries, the education and empowerment of women has gained prominence in recent years. Women have begun taking an active part in the family decisions. Their participation in national and international level events be it in sports, politics, business and development of the society is noteworthy. It is essential that a woman knows about health, nutrition, family planning and child education, but women living in rural areas need to know about the latest developments in agriculture and animal husbandry in order to empower themselves.

Nevertheless, the incompetence of rural women to have access to Information and Communication Technology can be considered as an unexploited resource and helping them gain access to these facilities like access to informative websites on agriculture and animal husbandry etc., will not only empower them but benefit the nation as well. In every rural family the role of women in financial aspects cannot be neglected, furthermore, financial education among rural women is an under researched area. Hence, the paper titled “Financial Literacy among Rural Women - A Case Study with Reference to Kundapura Taluk” is an attempt to study empirically certain related issues with the following specific objectives.

OBJECTIVES OF THE RESEARCH

- To understand the level of financial literacy amongst women of rural areas in Kundapura Taluk
- To explore the various financial engagements of rural women
- To know the various sources of financial literacy
- To assess the satisfaction level of financial education amongst rural women
- To evaluate the perception of rural women towards financial knowledge

RESEARCH METHODOLOGY

For the purpose of the study both primary as well as secondary data have been used. Primary data has been collected through a predetermined questionnaire. Secondary data has been collected by referring text books, magazines, annual reports, journal articles and internet sources. Stratified disproportionate sampling method was used. The study was conducted using survey method with the help of a questionnaire, which consisted of 21 questions. The sample size was 270. Most of the respondents had barriers with reference to English language. Hence, data has been collected through trained enumerators.

SCOPE AND LIMITATIONS

This study is confined to Kundapura Taluk and rural women respondents. The conclusion drawn from this study cannot be generalized for other Taluk or districts or states.

CONCEPTUAL FRAMEWORK:

Advances in science and technology have reduced the inequality between the genders. Today women have ventured into each and every economic activity be it a profession, business or employment. Relegating women is not acceptable in today's progressive society. Regardless of this, women belonging to Dalit, Tribal and nomadic communities and especially rural women have made less progress. Among the minorities Muslim women are also in the same plight.

Women with meager income are more proficient in handling money and they also have better decision-making and business skills when compared to men reveals a report from The World Bank. Women must be provided with resources that are attainable especially credit and societal services suggests the report of the National Commission on Self Employed Women and Women in the Informal Sector that is Shramshakti report.

Financial Literacy

The most common definition of financial literacy is "the ability to make appropriate decisions in managing their personal finances". The definition is incomplete in the sense that it expresses more on the results rather than the competencies of achieving sound results. Hence, Financial literacy is a combination of skills and knowledge that make you take sound financial decisions that impact your financial well-being.

Financial literacy as defined by Organization for Economic Cooperation and Development (OECD)2011 is "A combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing."

The awareness on financial education is not only essential for investors but for every household which is trying to balance its income and expenses. Financial education programmes must be designed in such a way as to best address these needs.

Personal Finance

The financial decisions made by an individual considering the appropriateness to his or her needs of a range of banking products, investment and insurance products or participation and monitoring of individual- or employer-sponsored retirement plans, social security benefits, and income tax management is referred to as personal finance.

Financial Inclusion

Financial inclusion or inclusive financing is the delivery of financial services, at affordable costs, to sections of disadvantaged and low income segments of society.

Financial Products

The instruments which help us to save, invest get an insurance or a loan through various banks, financial instruments or insurance providers.

Financial Services

The economic services provided by a broad range of financial institutions like banks, insurance companies, consumer finance companies etc.

The aspects which are considered as basic financial transactions of an individual in the modern day world are as below.

- Financial Management Education and Perceived Knowledge
- Money Management Experience - Use of Credit Card, ATM card, LIC, Bank a/c.
- Financial Behavior
- Understanding income & Sources of Income

- Understanding savings and investment
- Understanding the objectives of investment
- Effect of Taxes and Inflation on Savings and Investment Decisions
- Understanding spending and debt -Spending Now Versus Later
- The Price of Credit

LITERATURE REVIEW

People take many financial decisions in different situations of their life, whether in their personal finances in the form of savings decisions and retirement planning or in a business context as small business owners or investors. But a majority of the population is miserably unprepared to make these decisions. Cole, Sampson, and Zia (2009) document very low levels of financial literacy for families in India and Indonesia.

It is essential that development schemes that aim to increase rural women's productive capacity must develop women's direct access to financial services, instead of their husbands being the mediators. Another advantage of improving women's direct access as well as control over assets is that this leads to higher investments in human capital with important long-term implications for families and societies.

Fletschner, (2009) observed that women are economically active in the rural areas although they are not given importance. Their contribution is immense in the national agricultural output and family food security all over the world. Detailed studies from Latin America, South Asia, and Sub-Saharan Africa reveal that women in rural areas do not get credit easily as their male counterparts do.

There are constraints on women on movement and communicating with men. Rural women do not get the information on financial services as easily as men. Even when information is available to them on the various financial resources, rural women find it difficult to process the information due to low level of literacy and language barriers. The language spoken at home and the language in which the information regarding financial services is given may be different (United Nations Development Programme 2007) This is a major impediment in reaping the benefits of financial services (Brown, 2001).

The financial institutions have failed to offer tailor made financial products to suit the rural women's financial requirements. (Fletschner 2009) Some of the factors which hinder the rural women's ability to meet their financial needs are legal regulations, social norms, household responsibilities and behavioral traits.

Even in the modern times gender bias and discrimination is still prevalent in many places across the globe which is the main cause why women in rural areas cannot represent and participate in the economic growth. Women are usually viewed to be frail for economic decision making.

As the burden of maintaining the household completely rests on the women in rural areas, the opportunities to engage in full time activities is limited for women in rural areas. Since, they lack financial resources they are economically more dependent on their husbands or other male household heads.

Studies conducted by Lusardi and Mitchell (2011), Lusardi and Tufano (2008), Lusardi and Mitchell (2007), Rooji, Lusardi, and Alessi (2007) opine that families with lower incomes do not

plan for retirement, take loans at higher rate of interest, possess few assets and are reluctant in participating in the formal financial system when compared to their counterparts who are more financially literate.

FINDINGS OF THE STUDY:

Table 1: Profile of the Respondents

Total Respondents		270
Place	Kundapur Taluk, Karnataka	
Age	Average	36
Occupation	House wife	194
	Coolie	38
	Agriculture	22
	Others	16
Education	Below SSLC (97%)	262
	Above SSLC	8
Literacy	Yes – 234 (87%)	No - 36
Married	Yes – 260 (96%)	No - 10
Family Structure	Nuclear (50%)	136
	Extended (31%)	84
	Joint (11%)	30

Source: Survey data

Table 1 shows that 72% were housewives' dependent on the income of male members and 97% below secondary education levels which also restricts their involvement in financial activities. Exactly 50% live in extended or joint family setup where the women have limited role in taking decision making. It is worth noting here that some of the areas where survey is conducted are subject to naxal activities in the recent years. This is the most disturbing fact where women will not be able to move out of their homes individually in these areas.

Table 2: Perceived Level of Financial literacy

Parameter	No. of Respondents	Percentage
Highly Satisfied	22	8%
Satisfied	224	83%
NS/ND	14	5%
Dissatisfied	6	2%
Highly Dissatisfied	4	1%

Source: Survey data

83% of the respondents are satisfied with the present level of financial education and 8% are highly satisfied.

Table 3: Perception towards Significance of Financial Literacy

Reason for Financial literacy	No.	%
Budgeting	130	48.15
Debt management	82	30.37
Fin. Negotiations	8	2.96
Use of banking	50	18.52

Source: Survey data

The financial literacy level of rural women at Kundapura Taluk is at the minimum level of preparing informal household budgets (only 48%). The other facets such as financial negotiations, debt managing and use of banking are yet to be understood and practiced.

Table 4: Various Financial Engagements

Type of activity	%
Bank A/c	90
Post Office	26
Insurance	63
Shares/MF	1
Loan	30
Deposits	15

Source: Survey data

Table No.4: Exhibits that out of respondents 90% had bank accounts, 63% had insurance policies and 26% had post office savings. 30% had loans and 15% had deposits in banks.

Table 5: Details of Membership

Membership	%
MF SHG	64.44
Co-operatives	31.11
Others	4.44

Source: Survey data

Among 270 women interviewed 65% were members of SHG's and 31% were members of local agricultural co-operative societies.

Table 6: Financial Engagement on Debt

Purpose of loan	No. Of respondents	%
Functions	58	19.59%
Religious	16	5.41%
Education	68	22.97%
Business	16	5.41%
Agriculture	96	32.43%
Others	42	14.19%

Source: Survey data

About 75% of the respondents took loan for productive purposes and the remaining borrowings were for the purpose of functions and religious which are non-productive in nature. Other purposes (14.19%) include loans taken for repaying earlier debts etc. which shows that such women live under the pressure of vicious circle of increasing debts.

Table 7: Sources of Financial literacy

Source	% of Respondents
Friends/Relatives	17.41
Family	35.63
Banks/ Fin. Institutions	12.96
SHG's	34.01

Source: Survey data

Table 7: clearly indicates that about 36% of rural women get financial education from family. This means rural women get to know about financial information mainly from informal and indigenous sources. In spite efforts of government to reach out to her the structured financial market set up and consumer/ investor protection mechanisms have not reached. The efforts of SHG are appreciable in this regard as 34% of the respondents have received financial education through SHG's. The least educating source of the financial system is banks and financial institutions.

Perception of rural women towards financial knowledge are highlighted below:

92% of the respondents felt that their involvement is inevitable in the family monetary affairs. 82% of the respondents felt that if they take the financial decisions of their family their family's financial situation would have been better.

- Consultation by male members – on matters relating to family financial aspects and decisions is very limited (22%). But 54% said they were consulted by male members of their family on financial decisions sometimes.
 - Only 18% of the women decide the financial aspects of their family. Remaining agreed that in their family male members decides on financials.
 - They follow indigenous methods of financial planning and they are not aware of modern methods of budgeting and personal financial planning and execution. They are also not aware of new financial instruments available in the modern financial markets.
 - Only 36% of rural women calculate return or financial benefit on making a financial decision.
 - Nearly 37% of the respondents felt that informal lender charges more rate of interest on loans. 30% opined that Micro-finance Self Help Group charges them with more rates of interest.
 - There no alternative source of income for 35% of the rural women families.
 - Around 56% save on weekly basis, 35% on monthly basis
- A few interesting observations made by enumerators while interacting with the rural women were:
- ✓ Issues connected with money management are hardly discussed at home which keeps women in the dark on knowledge of finance.

- ✓ Women saw gold as one of the most secured investments for future needs.
- ✓ Some women agreed that they saved secretly to avoid mismanagement of cash and economic assets by male members of the family.
- ✓ Family tussle takes place due to multiple financial needs and aspirations of the family members and in most cases muscle power wins over genuine needs and women issues.
- ✓ The government and institutional mechanisms have not reached the rural women in educating them financially except the efforts of various SHG's.
- ✓ They don't decide on financial aspects and they just follow the leader in financial decisions. If some neighbor does something they will also follow the same without assessing the need for it.
- ✓ Accounts in the bank are opened to obtain government subsidies and get the money transferred from their earning family members who stay at far off places.
- ✓ There is lack of or less consumer protection in the case of financial activities of rural financially illiterate women which results in financial losses.
- ✓ In a rural family it is usual that "one who earns will decide" is a common rule.
- ✓ Rural women feel that having a debt is a very shameful or socially negative thing.

SUGGESTIONS

Knowledge about savings and investment is easily accessible to everyone these days due to the advancement in information technology. Yet it cannot be taken for granted among people with low education, women and minorities. This poses a challenge as to how to communicate the information on financial services to the relevant people who need it most, in order to save them from the clutches of unscrupulous brokers and fraudulent people. Since, matters relating to financial know-how are not discussed at home women specially in the rural parts are not fully equipped to manage their finances.

The researcher recommends the following suggestions

- A nationwide survey is the need of the hour to get clear cut status of financial literacy level in India especially of the middle and low income population.
- Since the structured financial market set up and consumer/ investor protection mechanisms have not reached rural women, the financial institutions must take measures to support rural women with more value added services other than mere depositing and lending of funds, like increasing the use of ATM's, debit and credit cards, money transfer mechanisms etc. They should also aim at educating the rural population on various aspects of personal financial management.
- Still there is scope to leverage social networks and peer effects through self help groups engaging in microcredit for spreading the financial education.
- To reach the people in mass it is better to introduce syllabi on financial education at high school level. It is also suggested to give a practical insight on financial aspects by taking the school children to the nearby banks/ financial institutions.

CONCLUSIONS:

"Financial Inclusion and Financial Literacy are like two sides of the same coin". It should result in economic growth and every section of the society must reap its benefits. Financial education must begin in childhood so that children learn to appreciate the value of savings and investment. People should be educated on financial matters as early as possible in their lives. Financial education programmes should start at high school level. The Reserve Bank of India has

undertaken a project titled "Project Financial Literacy" with an objective to spread information regarding the central bank and general banking concepts to each and every section of the society. But the RBI programmes have not reached the rural population in an effective manner. It is the motive of the government to provide access to financial products and services to the masses, and they are expected to reciprocate by benefitting from these financial services. Hence statutory and regulatory bodies should come forward with awareness programmes specially targeting the rural people.

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