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AN ANALYTICAL STUDY OF ROLE OF FINANCIAL LITERACY IN RURAL DEVELOPMENT WITH SPECIAL REFERENCE TO KALMESHWAR DISTRICT IN MAHARASHTRA STATE

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ABSTRACT

India has around 6 lakh villages, and 7933 towns. The total rural population of India accounts for almost 70 % of the total population of the country. Therefore, a huge part of India lives in its villages. This population contributes for more than 50% of the nation's total GDP. Therefore, owing to its size, its ability to supply raw materials, its GDP contribution, its literacy rate and rate of computer literacy, huge developmental measures are to be focused on the rural India's population for the overall development of the nation. Literacy cannot always be measured in terms of educational qualification, but even the fact that the people have a basic understanding of managing their needs, expenses and most importantly 'money'. Many people are seen to have no knowledge of managing their money, where to invest and many such problems. This results in them being deceived. It even hampers their development. Financial literacy is nothing but the knowledge about finance. Financial literacy involves imparting knowledge about the risk and return of financial products to the users and providers of these products. The paper highlights the role and contribution of financial literacy in the development of rural areas and analyzes the level of financial literacy in a specific area and the impact it has had on the development of that specific area.

KEYWORDS

financial literacy, rural development, financial products, financial knowledge.

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INTRODUCTION

Since rural economy in India faces problems of poverty, unemployment, poor and inadequate infrastructure, lack of basic minimum facilities, etc., rural development is a process which aims at improving the well being and standard of living of people living in the rural areas, In simple words, it can be said that rural development is a process of bringing a change in the rural areas from the traditional way of living to a progressive one. The Ministry of Rural Development in India is the apex body for formulating policies, regulations and acts pertaining to the development of the rural sector. Agriculture, handicrafts, fisheries, poultry and dairy are the primary contributors to the rural business and economy.

MEANING OF FINANCIAL LITERACY

Financial Literacy is the possession of the set of skills and knowledge that allows an individual to make informed and effective decisions with all of their financial resources. Financial Literacy is often ignored, underrated, but is an essential life skill. It is the result of an individual's capacity to combine the financial knowledge, skills, attitude and behavior necessary to make sound financial decisions that provide short term and long term benefits. These financial decisions vary based on personal circumstances, which change along the different stages of life. Yet, when the financial decisions are made appropriately from an informed perspective, these decisions enable one to improve their financial and personal wellbeing.

IMPORTANCE OF FINANCIAL LITERACY

Financial Literacy is an essential ingredient in every individual's life-skills toolkit. The capacity to assess and understand what will have positive and negative financial outcomes in a fast-paced consumer society is crucial. Ensuring that you have the know-how to manage your money and financial risks effectively will not only help you to avoid financial pitfalls, but also will give you a solid foundation which will help making confident choices about how to live your life. Financial Literacy has secured a vital role in rural development. Development is only possible if the population is aware of the financial aspects and financial knowledge. With proper financial literacy, it becomes possible for the individuals to know how to use the money that is available with them. Not only the supply of financial products is important for the development, but the demand of financial products also plays a crucial role. Thus, financial literacy is the base for rural development.

OBJECTIVES

1. To study the present level of financial literacy in Rural India with special reference to Kalmeshwar District.
2. To analyze the initiatives undertaken by the government towards financial literacy in Rural India.
3. To determine the role of financial literacy in rural development and the impact of change in financial literacy levels on rural development.
4. To suggest some measures for improving the level of financial literacy in rural areas.

RESEARCH METHODOLOGY

To study the level of Financial Literacy in Kalmeshwar, a survey was conducted among 100 citizens of different villages under Kalmeshwar. The survey was conducted amongst respondents of various age groups, Professions and income levels. To collect the primary data a small schedule containing 20 questions was designed and data was collected. The questionnaire consisted of basic financial questions about their knowledge of the financial services and products and their preferences for saving their income, if the financial services were available to them. For this purpose, researchers have applied convenience sampling method.

LIMITATIONS OF THE STUDY

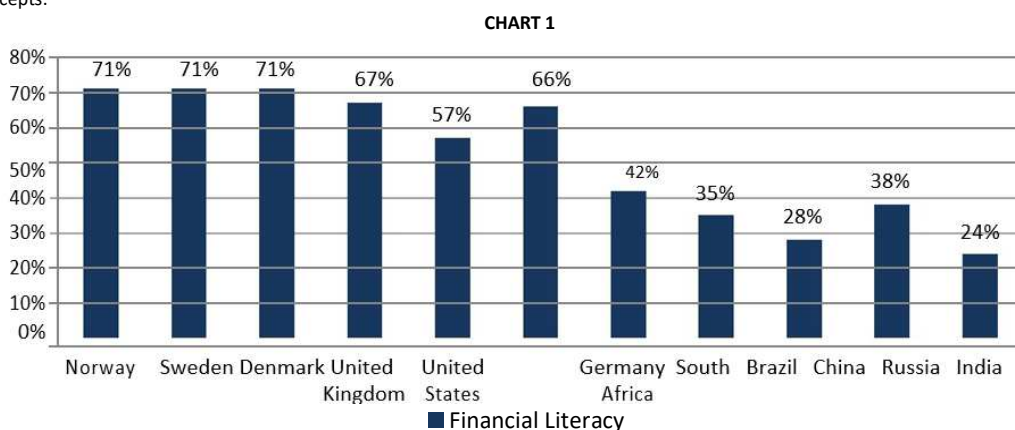
1. The study is limited to the area of Kalmeshwar district of Maharashtra.
2. The sample size is limited to 100 respondents.
3. The literacy level of respondents may not be high resulting into unawareness about government policies and agendas.

REVIEW OF LITERATURE

- Financial Literacy in India by Dr. J. Gajendra Naidu. (Source- International Journal of Research in Business Studies and Management, Volume 4, 2017) It was found that even though many initiatives regarding financial literacy improvement were taken by the RBI, the level of financial literacy was still low. New initiatives should be taken to mend the same.
- Assessment of Financial Literacy in rural areas of Sonapat district of Haryana by Madhulata. (Source- International Journal of Research in Finance and Marketing, November, 2016)
The overall literacy in the area was found to be very low and many respondents were not even able to calculate simple interest.
- Analysis of the Level of Financial Literacy and Financial Inclusion among Rural Households in Krishna District: Andhra Pradesh by Dr. P. Raja Babu. (Source- IOSR Journal of Economics and Finance (IOSR-JEF), July-August, 2015)
It was found that Financial Literacy enhances peoples’ skills and abilities to make more informed economic choices.
- Financial Literacy: The Indian Story by Lavanya Rekha Bahadur. (Source- World Journal of Social Sciences, September, 2015)
Stated that financial literacy is the way to a strong financial system. Financial literacy and financial education should be given special attention by the educators, government agencies, NGOs and policy makers at national level.
- Relationship between Financial Literacy and Investment behavior of Salaried Individuals by Bhushan Puneet. (Source- Journal of Business Management & Social Sciences Research, 2014)
It concluded that the individuals with higher financial literacy have a higher awareness about the available financial products.

DATA ANALYSIS AND INTERPRETATION

Considering the level of financial literacy across the globe, the figure below shows that financial literacy stands the highest in Norway, Sweden and Denmark i.e. 71 percent. In BRICS (Brazil, Russia, India, China and South Africa) countries, the level of financial literacy is as low as 28 percent. Among the BRICS countries, India has the lowest rate of financial literacy (24 percent). According to the survey conducted by Standards & Poor’s, over 76 percent Indian adults lack basic financial literacy and they don’t understand the most basic and key financial concepts.



(Source: S&P Global Financial Literacy Survey)

As per a global survey by Standard & Poor’s Financial Services LLC (S&P) only 25 per cent of adults or less are financially literate in South Asian countries. For an average Indian, financial literacy is yet to become a priority. India is home to 17.5 per cent of the world’s population and nearly 76 per cent of its adult population does not understand even the basic financial concepts. The survey confirms that financial literacy in India has consistently been poor compared to the rest of the world. It can be detrimental to India’s ambition of becoming an economic super power in the coming years. Moreover, around 70% of the Indian population lives in rural areas where the facilities are poor as compared to those in the urban areas. The literacy rate in these rural areas is even lower. This acts as a barrier when it comes to the overall development of the rural areas.

In accordance with the Data compiled from the National Centre for Financial Education Report, 2015 Kerala being the highly literate state in India has the second highest level of financial literacy i.e. 36 percent. States like Goa, Manipur and Gujarat stands the highest level of financial literacy at 50 percent, 36 percent, 33 percent respectively, which is still considered very low. Whereas states like Chhattisgarh, Mizoram, Bihar, Nagaland, Sikkim, Odisha, Arunachal Pradesh, Uttar Pradesh, Punjab, Jharkhand, Himachal Pradesh and Maharashtra have the lowest level of financial literacy i.e. below 20 percent.

Similarly, in case of Union territories, Chandigarh has the highest level of financial literacy with 38 percent followed by Delhi, Dadra and Nagar Haveli with 32 percent and 31 percent respectively, whereas Andaman and Nicobar Islands shows the lowest level of financial literacy.

A study was conducted in Kalmeshwar Taluka in Maharashtra state. Kalmeshwar is a Taluka in Nagpur District of Maharashtra State, India. Kalmeshwar consist of 100 Villages and 52 Panchayats. Dorli (bhodji) is the smallest Village and Bramhni is the biggest Village. In terms of development, Kalmeshwar has seen tremendous growth. Starting from the earlier days where Kalmeshwar lacked some of the basic facilities, now it is equipped even with the advanced ones. Kalmeshwar has not only seen emerging of new schools, colleges, hospitals and banking facilities, but also a multiplex is being constructed which is a sign of huge development.

As per census 2011, the population of Kalmeshwar is 19578 with around 97 villages coming under the Kalmeshwar administrative division.

Of the total respondents in the survey, 54% were male and 46% were female. The age groups were evenly distributed between the ages of 26 and 65 with a slightly higher concentration of people aged 36 to 55. Women were more represented in the age group between 18 and 45 and men were more represented in the age group above 46 years of age.

The following table shows the association between gender and basic financial literacy:

TABLE 1

| | | Basic Financial Literacy | | Total |
|--------|--------|--------------------------|----------|-------|
| | | Illiterate | Literate | |
| Gender | Male | 16 | 38 | 54 |
| | Female | 27 | 19 | 46 |
| Total | | 43 | 57 | 100 |

(Source- Primary Data)

In the data collection process, it was seen that almost every individual had knowledge about the basic financial products like bank accounts, loans, etc. But it was seen that many were not aware about the investment methods, some better loan opportunities, etc. This scenario was more common among the females. Males comparatively had a better understanding of the financial products and services. Also, one fact observed was that some of the respondents preferred keeping cash at home inspite of having bank accounts. Similarly, many were unaware about the rate of interest on their savings bank accounts and most of them were females.

The following table shows the association between age and basic financial literacy:

TABLE 2

| | | Basic Financial Literacy | | Total |
|-------|------------|--------------------------|----------|-------|
| | | Illiterate | Literate | |
| Age | 18-35 | 9 | 25 | 34 |
| | 36-50 | 14 | 21 | 35 |
| | 51 & Above | 20 | 11 | 31 |
| Total | | 43 | 57 | 100 |

(Source- Primary Data)

It was seen that the literacy among the age group 18-35 was the highest. Almost everyone had a bank account and they knew how to operate it. But some had a little less awareness about the rate of interest and some of the investment methods and options. Considering the age group 36-50, it was seen that they had financial literacy but it was not good among females and some had their literacy level restricted to bank accounts. The age group of 51 and above had the least financial literacy and it was poor among females.

The following table shows the association between profession and basic financial literacy:

TABLE 3

| | | Basic Financial Literacy | | Total |
|----------------|------------|--------------------------|----------|-------|
| | | Illiterate | Literate | |
| Nature of Work | Unemployed | 9 | 8 | 17 |
| | Farmer | 17 | 20 | 37 |
| | Service | 5 | 12 | 17 |
| | Business | 7 | 11 | 18 |
| | Retired | 5 | 6 | 11 |
| Total | | 43 | 57 | 100 |

(Source- Primary Data)

In the data collection process, it was found that farmers were comparatively less financially literate and the same with those who were unemployed. In the areas which were less developed, it was seen that some of the farmers preferred keeping cash at home inspite of having bank accounts. The literacy among those in service and business was good. But they lacked knowledge about investment opportunities and some other factors.

The above survey is a perfect measure to say that the villages in Kalmeshwar have shown a good development and it can be said that the major credit for this development goes to the increase in financial literacy in the villages. Kalmeshwar has always been receptive to the changes with the advancement in technology and modernization. It is seen that the people there in the villages indulge in various drives undertaken by the government or even the private organizations for financial literacy. Thus, Kalmeshwar has seen tremendous growth. From the above, it can be said that the increase in financial literacy among the individuals has played a vital role in the development of the area.

MAJOR FINDINGS AND CONCLUSIONS

- From the analysis of the data above and various inferences, it can be concluded that financial literacy has a role in rural development. It can be seen that when the financial literacy in the rural areas was very low, the rate of development was also low. Whereas, as in case of Kalmeshwar, the rate of financial literacy is rising and so the rate of development of the area is also good.
- Financial Literacy has association with gender, income, nature of work, level of education. It was seen that men are more financially literate as compared to the females in that area. Similarly, it was seen that those who were engaged in service and business were comparatively more financially literate than those engaged in farming and even those who were unemployed.
- The level of financial literacy was a bit related to the level of education of the respondents. The respondents who had a higher level of education had a good basic understanding of financial literacy.

SUGGESTIONS

- It is suggested that schools should consider including financial literacy in their curriculum and also encourage their students to participate in financial literacy contests. To seep the efforts to the grass root level, the delivery channels for financial education can be summed through school curriculum, social marketing, resource persons, adult education, self-help groups, microfinance institutes, helpline and other channels.
- Government should focus more on these rural areas as the basic financial literacy is not achieved by many of them. More of campaigns are required, financial educations weeks or months to be organized.
- The plans and policies formulated by the government should be well implemented as and when decided.
- Measures should target the family as a whole and include elements which are targeted at women specifically. As women are in a disadvantaged position in several of the above mentioned points, measures to improve financial literacy and to raise awareness should always seek to reach them.

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ANNEXURE

QUESTIONNAIRE

Please fill the details given below. The data collected will be used purely for academic purpose. (Tick wherever applicable)

1. Name of the Respondent:
2. Age:
18-35 36-50 50+
3. Gender:
Male Female
4. Marital Status:
Married Unmarried
5. What level of education you have completed?
None Primary Lower Secondary
Higher Secondary Graduation Informal
6. Occupation?
Unemployed Farmer Business
Service Retired
7. How many people live in your household including yourself?
8. How many people in your household are earning?
9. What is your annual income? (Optional)
10. What is your most important form of saving?
Keep it Cash Save it in Bank Others (Please specify)
11. Do you have a bank account? Which?
Yes No don't know
12. Do you know the interest rate in your bank account?
Yes No
13. Do you keep a note of your income and/or expenditures? (Tick the appropriate code)
a) No, I am not able to keep track of my expenditures and income
b) Yes, I have a broad idea of my expenditures and earnings
c) Yes, I keep a written record of important expenses and earnings
14. Do you maintain Fixed Deposits or Recurring Deposits?
Yes No Don't Know
15. What is the safest place to keep your money?
Bank Microfinance Institution Back at Home
Don't know
16. Do you have information about the schemes for financing or loans?
Yes No Don't Know
17. Do you have an Insurance Policy?
Yes No Don't Know
18. Has any financial literacy campaign organized in your village?
Yes No Don't Know
19. Have you attended the Financial Literacy Program?
Yes No Don't Know
20. Are you aware of SHG's? Are they approachable?
Yes No Don't Know

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