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A Study on The Level of Financial Literacy Among Rural Women In Ernakulam Dstrict

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ABSTRACT

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. The present study aims to assess the level of financial literacy among rural women in Ernakulam district in Kerala, financial inclusion is still going on but rural women is still excluded from formal banking channel. Based on this study certain dimensions need improvement such as knowledge about online banking, core banking etc. Rural women's savings and investment will leads to economic growth, the commercial banks, RBI and government should formulate policies to make the rural women financially literate.

KEY WORDS: Financial literacy, Financial Inclusion, Micro Finance.

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1. INTRODUCTION

"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"[1]. In this study focusing on financial literacy among rural women and influence of various socio-economic factors on financial literacy, it is clear that villages has significant role in the growth of our country. Their financial literacy level and study on this topic led light on various measures to improve the level of financial literacy among rural women, and to link them with the formal banking channels. In India rural women is still fear to invest and use online payment systems. If such rural women's came to this main stream and using this regular banking channels it will leads to the economic growth, development and social welfare Financial inclusion is considered as an important initiative for achieving inclusive growth in India. The Government of India, the RBI and other authorities concerned have been introducing a number of measures to bring the poor people under the ambit of the main stream financial institution despite, the policy efforts, gap remains in the availability of financial services in the rural area. The dependent of the rural poor on money lenders continues, especially for meeting emergent requirements. In India, the term financial inclusion first featured in 2005, when RBI, in its annual policy statement of 2005-2006, by recognizing the concerns in regard to the banking practices that tend to exclude rather than attract vast sections of the population, urged banks to review their existing practices to align them with the objective of financial inclusion. Financial inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by main stream institutional players.[2]

In most south-Asian countries, the status of women is low and their socio-economic conditions are much below than that of men. The flow of financial assistance to them is too marginal, if at all to enable them to cross the poverty line therefore a need to create a grass route organizational base to enable women to come together, to analyze their issues and problems themselves, and to fulfill their needs was strongly advocated. In fact experience shows that some of the successful group based participatory programs have made significant improvement in the conditions of the living poor women. Women are particularly financially illiterate. Women are more conservative investors than men. Rural women are less confident, more worried, less knowledgeable and more prone to spend without address in financial education. Financial literacy is important today's adult as it allows the knowledge base for making important financial decisions such as credit use, saving and investing, retirement planning, insurance purchase. It is important to study the level of financial literacy among rural women because which help the government to formulate policies to improve financial literacy among rural women and to build a strong financial basis.

Poverty reduction has been an important goal of development policy since the inception of planning in India, various anti-poverty, employment generation and basic services programs have been in operation for decades in India. Over the past 5 years RBI, has also other policy makers have resolutely pursed the agenda of financial inclusion and achieved discernible progress in improving access to financial services for the masses. However, the progress is far from satisfactory as evidenced by the World Bank Findex Survey (2012). According to the survey findings, only 35% of Indian adults had access to formal bank account and 8% borrowed formally in the 2013. Only 2% of adults used an account to receive money from a family members living in another area and 4% used an account to receive payment from the government. Reap benefits and improve their financial well-being. RBI has adopted a bank- led model for achieving financial inclusion and removed all regulatory bottle necks in achieving greater financial inclusion in the country. Further, for achieving the targeted goals, RBI has created conducive regulatory environment and provided institutional support for banks in accelerating their financial inclusion efforts. Whatever initiative taken by the government of India, RBI, SEBI, the success is depend up on the implementation procedure. Hence after implementing any programme, the respective authority should know its impact. Then only the purpose will be fulfill.

2. REVIEW OF LITERATURE

Reserve Bank of India, proposed financial inclusion based on the business facilitators/ business correspondent model, adapting the Brazilian success story in India. In 2005, efforts were made enabling banking services to reach the rural areas through credit facilities. While the banking network started expanding in the rural areas, there were still a majority of the population in the rural areas without having access to banking services. The reasons behind these are: declining productivity of the rural branches of SCBs, digression of RRBs from their social objective of reaching out to the masses and the fragility of the corporative credit structure. The report also identified supply and demand side reasons for the lack of penetration of banking services in the rural areas. The report mainly focused on further acceleration of efficient and effective delivery of credit to the rural farm and non-farm sectors and in order to achieve this, the suggestions provided by the committee in the report were broadly based on the pre model such as business facilitator model, business correspondent model and micro finance model.[3]

Government of India examined financial inclusion as a delivery mechanism providing financial services at an affordable cost to the vast section of the disadvantaged and low –income groups. The recommendations of the reports focused on the following areas, first financial inclusion should include main stream financial products. Second banking and payments services should be available to the entire population without discrimination. Third promotion of sustainable development and generation of employment in rural areas should be a priority. Fourth, financial inclusion must be taken up in a mission mode and there by suggested the constitution of national mission on financial inclusion, in order to achieve universal financial inclusion with in a specific time frame. Fifth the committee also recommended for the constitution of two funds with NABARD, the financial inclusion Promotion and Development Fund and the financial inclusion technology fund for the better credit absorption capacity among the poor and vulnerable section of the country and also for proper and appropriate application of technology in order to facilitate the mandated levels of inclusion. In short , the report provided and understanding of one of the best ways to achieve inclusive growth through financial inclusion.[4]

RBI of India presented a report to study various challenges and evaluate alternatives in the domain of technology that can help large scale expansion of mobile banking across the country. The report divided the challenges into two broad categories – customer enrollment related issues and technical issues. Customer enrollment related issues include mobile number registration , mobile pin generation on the other hand technical issues include access channels for transactions, cumbersome transaction process etc.[5]

3. STATEMENT OF THE PROBLEM

Certain level of financial literacy is needed by the women to decide the financial products. Design appropriate financial products and knowledge about these products make women able to save, borrow and insure is essential to strengthen women role as and widen the economic opportunities available to them. For this purpose it is essential to measure the level of financial literacy among rural women. The success of financial inclusion initiative is in the hands of rural people. Hence strategies to enable the rural women in to the access of various financial services. In this situation this study attempt to evaluate whether financial literacy possessed by the rural women in Ernakulam district.

4. OBJECTIVES

The main objectives of this study is as follows

1. To study the socio-economic background of the respondents
2. To analyze financial literacy gap among rural women
3. To offer suitable suggestions based on the findings.

5. METHODOLOGY

Both primary and secondary data were used for this study. Primary data were collected through structured interview schedule. Total 100 samples were chosen based on convenient sampling technique. The important tools such as percentage and Gap analysis are used to making findings.

6. ANALYSIS AND INTERPRETATION

The following are the findings of the study based on the data collected from both primary and secondary sources. It is divided into two categories first one is profile of the sample and second one is Gap analysis of financial literacy among rural women's.

6.1 PROFILE OF THE SAMPLE

The socio- economic factors has an important role in their participation in any activity. The important demographic, socio – economic factors studied are age, gender, education, income, savings etc.

Table no: 1 Analysis of socio-economic conditions

Socio-Economic Factors	Variable	No of respondents	Percentage
Age	Below 30	35	35.0
	30 – 45 years	35	35.0
	Above 45 years	30	30.0
	Total	**100**	**100.0**
Educational Status	Illiterate	2	2.0
	Primary level	25	25.0
	Higher secondary level	36	36.0
	Degree and above	37	37.0
	Total	**100**	**100.0**
Monthly Income	Up to Rs. 10,000	36	36.0
	Rs. 10,000 to 15,000	28	28.0
	Rs. 15,000 to 20,000	26	26.0
	Above Rs. 20,000	10	10.0
Percentage of savings on Family Income	**Total**	**100**	**100.0**
	Up to 10%	46	46.0
	10% to 20%	32	32.0
	20% to 30%	12	12.0
	Above 30%	10	10.0
	Total	**100**	**100.0**

Source: Primary Data

Based on the analysis of the above table it is clear that 35% of the respondents belongs to below 30 years and 30% comes under age group of above 45, 25% of the respondents qualified primary level and higher secondary, degree level 36% and 37% respectively.36% of the respondents having monthly income below 10,000 only 10% of the respondents having monthly income above 20,000. 46% of the respondents have savings up to 10%, only 10% of the total respondents have savings above 30%.

6.2 GAP ANALYSIS OF FINANCIAL LITERACY AMONG THE RURAL WOMEN

From the above gap analysis it is clear that financial literacy gap is high for knowledge about online banking facilities and knowledge about core banking facilities, both of these knowledge need improvement. People in rural area not much familiar about these online banking facilities, people feel lack of security and they don't have technical knowledge.

Table No: 2 Gap Analysis of Financial Literacy Among Respondents

Sl. No	**Dimension**	**Expected Mean Score**	**Experienced Mean Score**	**Literacy Gap**
1.	Knowledge about different Bank accounts	5	3.82	1.18
2.	Knowledge about interest of different accounts	5	3.52	1.48
3.	Knowledge about different investments and its returns	5	3.26	1.74
4.	Familiarity on ATM card operations	5	3.27	1.73
5.	Awareness on credit facilities of banks	5	3.06	1.94
6.	Knowledge about bank account opening procedure	5	3.24	1.74
7.	Familiarity on deposit and withdraw of money	5	3.36	1.64
8.	Knowledge about online banking	5	2.80	2.20
9.	Knowledge on core banking services	5	2.66	2.34
10.	Chit fund investment is risky	5	3.04	1.96
11.	Understand money value of different periods	5	3.10	1.90
12.	Understand the time requirement for increase the value of different investment	5	3.02	1.98

Source: Primary Data

Literacy gap of remaining variables such as chit fund is risky, understand time value of money, and understand the time requirement for increase the value of investment, awareness on credit facilities 1.90, 1.96, 1.98, 1.94 respectively. These variables need improvement. Literacy gap for knowledge about different bank accounts and their returns, operation of ATM card etc are comparatively low, since it doesn't require any improvement.

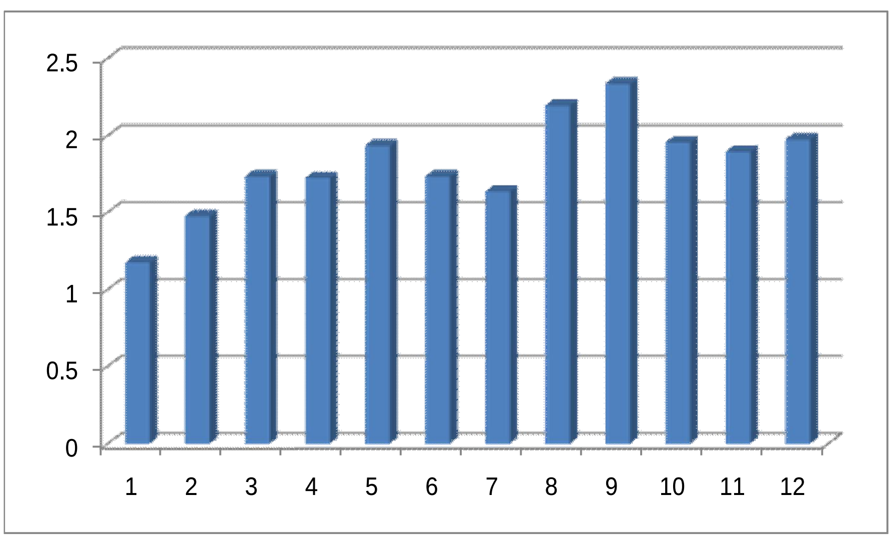

Figure: 1Barchart Showing Gap Analysis of Financial Literacy Among Rural Women

Source: compiled from primary data

7. SUGGESTIONS

Following are the suggestions based on the analysis

1. Most of the women in the rural area still not aware about various investment venues like bonds, shares, debentures etc. the educated members in the family should take initiative to educate women members in their family.
2. The co-operative banks in the rural areas has to play an important role, they have to conduct awareness programs to make the rural women as financially literate.
3. State and local governments should formulate policies and programs to make them financially literate.
4. Educational institutions should provide training programs to rural women regarding deposit and withdrew money from account and operation of ATM cards.
5. RBI should take necessary actions to boost the speed of rapid financial inclusion.

8. CONCLUSION

Majority of the people in India live in villages. Rural women are still excluded from financial inclusion, but their inclusion with the formal banking channel is no more a dream. PMJDY,[6] no frill account, online payment apps etc will lead to financial inclusion of such deprived classes. Rural women should financially empower. The government and cooperative banks should take initiative to make them financially literate. The RBI should give directions to the commercial banks to set up branches in rural areas, if rural women reduce spending and increase the rate of savings they can convert such savings into investments provided that if they financially literate. This will leads to economic growth and development. Let conclude that financial inclusion is no more a dream.

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