

Financial Literacy for Financial Inclusion and Wealth Accumulation of Tribal Households

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INTRODUCTION

Financial inclusion means easy of accessibility and availability of the financial services to all in the society or economy (Dai-Won Kim, 2018) (Antonia Grohmann, Does Financial Literacy Improve Financial inclusion? Cross Country Evidence, 2017). In simple words, the financial inclusion is a process of bringing socio economically weaker sections mainly financially excluded poor into the formal financial fold. The financial inclusion has the positive impact on the growth of any economy (Kim, 2017), hence it should be one of the main objectives of all developing economies in their financial policies. Further the improved financial inclusion is decreasing rural poverty (Burgess, 2005), the poor get empowered financially (Thorat U. , 2007), increasing employment (Bruhn, 2014) expenditure and savings (Brune, 2016). Furthermore it is has a direct relationship with societal development and financially empowered citizens can make necessary choices in their lives and livelihoods as they tend to aware about financial options and services available in the market, hence a country can achieve socio-political stability when poor get empowered financially (Thorat U. , 2007). For bringing and improved financial inclusion in an economy the financial literacy should be disseminated (Ajaya Kumar Nanda, 2016). The Financial literacy is the basic necessary components to access financial services (Antonia Grohmann, 2017) from formal financial sources. Once poor are able to access financial services, they become part of financial system. Thus, financial inclusion becomes reality. Empowerment is a process and it takes time to empower poor in social, economic and financial areas. Among these three, financial empowerment can be achieved by imparting necessary knowledge about financial products and services to make them access to the same (Antonia Grohmann, 2017). The poor economically empowered when they are financially literate, since lack of financial literacy leads them mismanagement of money and it turns to utter age of poverty universally (Ajaya Kumar Nanda, 2016).

As far as India is concerned, the government and Reserve Bank of India (RBI) are putting efforts to bring financial inclusion among all by adopting new technologies and strategies. But, this concept is rarely put into practice by the formal financial institutions in the field as it takes time and energy to impart financial knowledge among economically weaker sections of the people. In addition, the globalized economy is concerned about more on profit rather than inclusiveness. This makes the financial institutions difficult to put their energy and profit on poor to make them aware about financial services as it gives low profit as well as it is only give long term gains for the financial institutions (Anubhama Sharma and Sumita kukereja, 2013). Thus, economically weaker sections are excluded from the basic financial services. This leads to that like money lenders exploiting the poor by various forms like high interest rate.

In a key note address by Deputy Governor, Reserve Bank of India at the Financial Inclusion Conclave (Chakrabarty, 2013), states that “the number of people with the financial access, products and services offered by the banking system continues to be very limited even after years of introduction of inclusive banking initiatives in the country through measures such as the cooperative movement, nationalization of banks, creation of regional rural banks, etc.” and further he adds that the “progress of financial inclusion is far from satisfactory as evidenced from the World Bank Findex Survey in 2012”.

Ordinary people need adequate rights to get formal financial services. They also need means to redress from financial exploitation and exclusion. Awareness about financial products and related strategies fulfill their financial needs. It protects them from exploitation. Financial literacy not only contributes to the welfare of ordinary people but also serves the economic development of the nation. Further, the importance of financial inclusion has been forcefully underlined in the wake of financial crisis. Crisis has always had a significant negative impact on lives of individuals. One of the most prominent reasons for the crisis is that the financial system focused on furthering its own interests and lost its linkage to the real sector and the society at large.

The crisis has also resulted to realize that the free market forces did not always bring greater efficiency to the financial system, particularly while protecting the interests of the vulnerable sections of society. This is due to the working of information in an asymmetry against vulnerable sections in the society, thereby placing them at a severe disadvantaged position. At present, India stands second after China in terms of number of financially excluded households.

Usually the weaker sections of the society have excluded from basic financial services by the formal financial institution since they tend to concentrate on profit at the transaction. The financially excluded people are from agriculture and unorganized sectors, landless labourers, self-employed and ethnic minorities. The challenges currently experienced by the financial sector are to reduce the gap between access and availability of financial services, providing financial literacy to the financially illiterate and strengthening of credit delivery mechanisms to improvise the inclusive economic growth.

REVIEW OF PREVIOUS STUDIES

Selected reviews of previous studies relating to financial literacy are given below.

K.P. Vipin Chandran and P.Sandhya (2013) stated in their article titled “Strategies of financial inclusion life cycle in India” that a three step approach is required to bring financially under-served individuals into a financially inclusive society. In three step approaches, financial literacy is referred as the first aspect before providing financial services to them.

The article Jana Madan Mohan (2011) concludes that the main reason for financial exclusion in India is the lack of regular income and educational backwardness. Further, he suggests that utmost care to augment financial education among rural people should be taken.

A working paper mentioned that the ability to make informed judgments and to take effective decisions regarding the use and management of money is called financial literacy (ANGELA A. HUNG, 2009). The financial literacy consistently predicts measures of people’s planning behaviour. This financial behaviour may leads to them to create wealth by way of cutting down the superfluous expenditure and improve the source of income.

Maarten Van Rooij et al (2011) in their paper titled “Financial Literacy, Retirement Planning, and Household Wealth” study the relationship between financial literacy and a household’s net worth. They find “there is a strong positive relationship between financial literacy and the net worth”.

A research by Jennifar Robson (2012) from the Canadian Centre for Financial Literacy (2012), concludes that there is a substantial, if not extensive, evidence that financial literacy can make an important contribution to the well-being of vulnerable groups, in the context of multiple societal, institutional and individual factors that shape financial outcomes.

A Study by Sharon Taylor and Suzanne Wagland (2011) titles “Financial Literacy: A Review of Government Policy and Initiatives” assess the government policies and strategies implemented by the Australian and New Zealand governments in respect of financial literacy. Their assessment shows both the government’s made efforts to improve financial literacy, but the success of the existing financial literacy programs lacks any form of independent justification. Hence, the governments need to make substantial increase in efforts to reach those individuals in the population that are most in need of these financial education programs.

The World Bank report (2009) relating to ‘The Case of financial literacy for developing country’ states that developing countries have low level of financial literacy. This leads to the worst of financial behaviour of people. Further reports states that, more than half of the laborers surveyed in India stated that they store cash at home. They borrow cash from moneylenders at the high rate of interest. This pattern of behavior (high-interest loans and no-interest savings, with the high risk of theft—or “frittering away”—of savings) worsens their financial situation.⁵ Lack of financial literacy is often tied to the lack of access to financial products or failure to use them even when it is available.

A study titled “Financial Literacy among Working Young in Urban India” by Sobhesh Kumar Agarwalla et.al. (2013), investigates the influence of various socio-demographic factors on different dimensions of financial literacy. He finds gender and the income of the working young influence financial literacy.

All the above studies review financial literacy in general and few sections of the society in particular. They fail to study the financial literacy among rural population especially tribal population in India. Hence, the researcher attempts to study the level of financial literacy among tribal population in Karnataka. The present study also tries to analyze the awareness of financial products among tribal population. It also attempts find out the choices of the weaker sections of the society on financial products. Hence, it is a unique study. Based on the above research question, the following objectives have been derived for the study.

i) OBJECTIVES

- To assess the level of financial literacy and inclusion among weaker sections of the society;
- To study the impact of Financial Literacy on improved financial inclusion and wealth accumulation

ii) METHODOLOGY

This study is a descriptive and analytical one. Both primary and secondary data used for the study. Secondary data will be collected from books, journals, reports, and the official websites of the government.

Primary data were collected from the Tribal population of Karnataka. The researcher identified tribal population dominated districts of Karnataka. Among tribal population dominated districts, two districts selected based on simple random sampling method. A comprehensive interview schedule prepared covering all the aspects of financial literacy.

SAMPLE DESIGN

A survey was undertaken in selected two districts of Karnataka. A total of 1000 respondents were interviewed by adopting convenient sampling method.

STATISTICAL TOOLS

The collected data will be analyzed with appropriate and advanced statistical tools like ANOVA, Chi-square and Factor Analysis and results were interpreted in order to arrive at constructive conclusions and recommendations.

RESULT & DISCUSSION

In a study by Kyiv (Kyiv, 2019) used financial knowledge, financial behaviour and financial attitude to determine the financial literacy. To measure financial knowledge, behaviour and attitude the researcher has identified thirty variables and finally arrived financial literacy level. As there is no readymade scale to measure the level of financial literacy of households, a scale named “Financial literacy scale” has been developed. by using likert scaling technique with the help of this scale the level of financial literacy of the household have been measured. To measure the variable, five point scales are constructed, such as “Strongly agree”, “Agree”, “Neutral”, “Disagree”, and “Strongly Disagree”. In the five point continuums weights of 5,4,3,2 and 1 or 1,2,3,4 and 5 are assigned in order to give several expressions, the direction of the weightage, being determined by the favorable and unfavorableness of the variables.

CLASSIFICATION OF RESPONDENTS

The responses of respondents were given scores to their expressions and the total variables were obtained. Arithmetic mean and Standard Deviation was computed from total opinion score of all respondents. In order to classify them according to their level of financial literacy total scores of all variables is taken into account.

- ❖ The respondents with total scores of mean minus S.D were considered to have high level of financial literacy.
- ❖ Score below mean minus S.D has low level of financial literacy.

- ❖ Scores between arithmetic mean plus standard deviation and arithmetic mean minus standard deviation were considered as having medium level of financial literacy. Following table exhibits level of financial literacy among selected households.

Table 1: Level of Financial literacy

Financial literacy Dimension	High	Medium	Low	Total
Financial Knowledge	132	539	164	835
Financial Behaviour	130	588	117	835
Financial Attitude	118	620	118	835
Overall Financial Literacy	122	609	104	835

From the above table shows that the majority of the respondents’ financial knowledge is medium and minimum respondents are having high financial knowledge. In case of financial behavior, the majority of respondents are having medium level literacy. On the parameter of financial attitude, the majority of respondents are having medium financial literacy under this component. Finally, the overall financial literacy is concern, the majority of respondents are under category of medium literacy and least number of respondents are possessing low level financial literacy.

Table 2: Level Financial Inclusion

Level of Inclusion	Frequency	Percentage
Excluded	124	14.9
Just Included	546	65.4
Super Included	165	19.8
Total	835	100.0

The above tables revealed that majority of the respondents (546) are just included in financial inclusion. Out of 835 respondents, 165 respondents are super included in financial inclusion. And the least percentage (14.9%) of respondents are excluded from financial inclusion.

In order to test whether there is any significant relationship between the financial literacy and financial inclusion of among selected households a null hypothesis has been farmed and tested using Chi-Square test. Null hypothesis is “There is no Relationship between the financial literacy and financial inclusion”. These results are given following table.

Table 3: Relationship between the Financial Literacy & Financial Inclusion

Level of Financial Literacy	Particulars	Level of Inclusion				X2 value	P value
		Excluded	Just Included	Super Included	Total		
Level of Financial Literacy	Low	32	62	10	104	81.049	0.001
	Moderate	78	431	100	609		
	High	04	53	65	122		
	Total	114	546	175	835		

Source: Primary Data

From the table it can understand that the 104 respondents are having low financial literacy and among them 32 respondents are totally excluded from the formal financial services, 62 respondents are just included and only 10 are super included. Among the 609 respondents who have moderate level of financial literacy, 78 respondents are excluded from the formal financial services, 431 respondents are just included and 100 respondents are super included. In the case of 122 highly financially literate respondents only four respondents are excluded, 53 respondents are just included and remaining 65 respondents are super included. The frequency figure shows that there are different literacy levels between groups. Hence the researcher was interested to test the hypothesis with the help of the Chi-Square test. The results of chi-square test showing the calculated value of Chi-Square test is 81.049 and ‘P’ value is 0.001. Since the calculated P value is lesser

than critical value 0.05 (P value > 5%), the null hypothesis is rejected at five per cent level of significance. Hence it is concluded that the respondents’ financial literacy level is having relationship with level of financial inclusion. Therefore it can very well suggest that the financial literacy is most important for ensuring financial inclusion and further this result in line with many other studies (Kyiv, 2019) (Cole, Thomas , & Bilal, 2009) (Chandran & Sandhya, 2013).

The relationship between the financial literacy, inclusion and wealth accumulation is tested with correlation co-efficient and the result (Table 4) indicates that the financial literacy has highly positive correlation with wealth accumulation and moderately correlated with financial inclusion. Further financial inclusion has weak correlation with wealth accumulation, it clearly indicating that just financial inclusion does not help to the households to accumulate the wealth.

Table 4: Relationship between Financial literacy, Financial Inclusion and Wealth accumulation

Particulars		Inclusion	Literacy	WA
Inclusion	r	1	.244**	.174**
	Sig. (2-tailed)		.000	.000
Literacy	r	.244**	1	.528**
	Sig. (2-tailed)	.000		.000
WA	r	.174**	.528**	1
	Sig. (2-tailed)	.000	.000	
**. Correlation is significant at the 0.01 level (2-tailed).				

In the study area most of the households, not even preparing monthly or yearly family budget and most of them are getting some kind of government welfare facility or subsidies from the government or other agency. Further the most of the households’ income level is up to Rs. 50000 – 100000 only hence it they are not using banking services appropriately. It is found that the financial literacy level is not in great level in the study area. Most of the respondents’ financial knowledge is lower but the financial behaviour and attitude is good, hence the financial literacy level is in better level but not in great level. The financial literacy is most deciding factor for financially super included and significant wealth accumulation.

Since the study found that most of the respondents in the just financially included category to bring them in to the super included category and those are excluded category people is wants to bring into the included category and further maintain the people who are financially super included category. The policy makers and financial players have to take some strategy.

CONCLUSION

A large amount of strategies are introduced for bringing the full financial inclusion but still which are not fully implemented, it is because of the adverse interest of the financial institutions adverse interest of the public, preferences and attitudes for allowing to open bank account by poor people and other excluded people. The financial literacy and inclusion has positive relationship with wealth accumulation. Moreover all these strategies and polices are commonly framed for all kind of people, so the excluded segments of the population require products which are customized, taking into consideration their varied needs. The products and services offered at present do not effectively meet these needs. Therefore policy makers are needed to frame financial inclusion policy which is suitable for each group of excluded segments of people.

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