
Assessment of financial literacy in rural areas of Sonapat district of Haryana

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Abstract

Sustainable growth of a nation is closely related to the level of inclusion of its population into the financial net. Countries like India is struggling with poverty, less financial instruments and what makes the problem more acute is low financial literacy. Rural area people are still trapped in influence of local money lenders. The lack of financial knowledge and incapability to manage personal finance not only affect a household, but the whole economy suffer. To achieve the objective of the study, two hundred (N=200) respondents 100 males and 100 females were selected conveniently and purposely from rural areas of sonapat district as subjects. Questionnaire was used to assess the basic financial literacy and its relation with different parameters such as age, gender, occupation, monthly income and education. In order to examine the hypothesis of the present study crosstab correlation and chi-square test was applied to compare the association between different variables.

INTRODUCTION

Financial Literacy simply means the ability to understand about money handling, savings and investments so as to make judicious decisions regarding ones financial resources and activities. The need for financial literacy has become important with the deregulation of financial markets and the rapid growth in technological advancement of marketing financial products. Governments around the world have begun with many initiatives to impart knowledge about financial instruments so as to have financially knowledgeable citizens, for the public benefits and in totality for the benefit of the nation with a strong economy.

Government is focusing on financial inclusion which is an important step in development, as access to finances helps the poor to lift themselves out of poverty. In many parts of the developing world like India microfinance is a good tool to fight with poverty by bringing financial services, including low-interest loans to the poor but just bringing good tools is not enough as their implementation is hypothetical without proper financial knowledge and basic financial literacy. Keeping this in mind RBI Governor [Raghuram Rajan proposed inclusion of financial literacy in school curriculum](#) because when children will be aware they can influence their families and in coming future they can take necessary steps to better manage their money.

There are many countries that organize financial literacy month to boast high financial literacy rate such as in US april is considered as the month of financial literacy in which efforts are taken to educate its citizens about the importance of financial literacy this is the way to strengthen ones economy.

Since beginning people have managed their own finances on a day to day basis have themselves decided how much to spend on food, clothing or how much to save for child's education or for future uncertainties but for managing all these in a better way financial education and awareness has become important for financial well-being. In todays financial markets consumers are not just making decisions between two different bank loans or savings plans, but are rather being offered a variety of complex financial instruments for borrowing and saving, with a large range of options. One get knowledge to make decision about the responsibility and risk for financial decisions that may have a major impact on an individual's future life.

Sustainable growth of a nation is closely related to the level of inclusion of its population into the financial net. Countries like India is struggling with poverty, less financial instruments and what makes the problem more acute is low financial literacy. Rural area people are still trapped in influence of local money lenders.

According to a [survey on Global Financial Literacy conducted by VISA](#) in 2012, only 35% of Indians were found to be financially literate and India was among the least financially literate countries.

Survey of "[Financial Literacy among Students, Young Employees and the Retired in India](#)" conducted by IIM-A reveals that" there is lack of knowledge among Indians about the basic

principles of money and household finance, such as compound interest, impact of inflation and the role of portfolio investments.”

The lack of financial knowledge and incapability to manage personal finance not only affect a household, but the whole economy suffer.

STATEMENT OF THE PROBLEM

The Problem selected for investigation in the present study has been titled as “**Assessment of financial literacy in rural areas of Sonapat district of Haryana**”

OBJECTIVES OF THE STUDY

Why study Financial literacy

1. To know relation between gender and their financial literacy level.
2. To know relation between monthly income and level of financial literacy.
3. To know relation between education and their financial literacy level.
4. To know relation between occupation and their financial literacy level.
5. To know relation between age and their financial literacy level.
6. To offer recommendations that help to enhance financial literacy

Research questions

The **research Questions** derived from these areas are as follows:

1. Is there any relation between gender and their financial literacy level?
2. Is there any relation between monthly income and level of financial literacy?
3. Is there any relation between education and their financial literacy level?
4. Is there any relation between occupation and their financial literacy level?
5. Is there any relation between age and their financial literacy level?

Hypothesis

H0 There is no significant relation between gender and their financial literacy level.

H1 There is a significant relation between gender and their financial literacy level.

H0: There is no significant relation between monthly income and level of financial literacy.

H1 There is a significant relation between monthly income and level of financial literacy.

H0 There is no significant relation between education and their financial literacy level.

H0 There is no significant relation between occupation and their financial literacy level.

H1 There is a significant relation between occupation and their financial literacy level.

H0 There is no significant relation between age and their financial literacy level.

H1 There is a significant relation between age and their financial literacy level.

REVIEW OF LITERATURE

Anthes (2004) stated that financial literacy is the ability to read, analyze, manage and communicate about the personal financial conditions that affect material well being. **Mason and Wilson (2000)** have defined, financial literacy as Meaning making process in which individuals use a combination of skills and technologies, resources and contextual knowledge to make sense of information in order to be sufficiently informed to make decisions with an awareness of financial consequence.

Findings suggest that financial education is beneficial, but the extent of the benefits depends on the time horizon for changing financial behaviors. Financial education has positive relationship with financial literacy and long-term behaviors Another key finding from these research is that people with low levels of financial literacy seem to get more benefits **Sabri, Mohamad Fazli Fazli,(2011), Wagner, Jamie (2015),Irina kunovskaya (2010) . Tschache C. Arrington (2009)** The results of this survey showed that most of the participants of the survey were in favour of importance of financial literacy and financial literacy curriculum was also important. The conclusions of this study were that financial education is advantageous and that the concepts taught in that type of curriculum were appreciated.

Pallavi Gupta et al. (2013) found a large variation in correlation among the different states of India with a very low correlation at the national level and suggested indian government should promote Information Communication Technology models like biometric ATM, telecentres to achieve Financial Inclusion in India as high literacy is not compulsorily required in these models

JariwalaV.Harsha (2009) in his study found all the respondents have invested their savings in various investment alternatives, despite of it majority of the respondents possess lower level of financial literacy. From the analysis of financial literacy questions, was found that the majority investors are less financially literate in a state of India.

Deerajen Ramasawmy et al (2013) No significant difference was found at 5% level for the financial literacy level between male and female respondents while significant difference was found between male and female for the ability to read, analyse, manage and communicate. Based on this study, it was found that age, gender, language, race and income level do not have any impact on the level of financial literacy.

KWAME MIREKU (2015) found that gender, work experience, subject of study, and mother's level of education were important determinants of financial literacy among the students. Surprisingly, in this study, the lower the mother's level of education the higher the student's level of financial literacy.

Gathergood, j. (2014) results shows that individuals with low levels of financial literacy and with impulsive buying decisions were significantly more likely to hold alternative, non-amortising, mortgage products.

Klatt, martha E (2009) found that women were interested in having opportunities to learn more about money management and investment so it is important to educate women regarding finance so that they become self reliant.

Levi-D'Ancona, Emily,et al (2014) revealed low literacy and education levels along with lack of exposure to market functions in rural areas of India renders some women not capable to grasp the concepts of financial education presented by ISMW. This study also found clear

improvements in the performance of self-help groups, which greatly increases participants access to funds, even if they may not fully be aware of financial concepts.

MATERIALS AND METHODS

To achieve the objective of the study, two hundred (N=200) respondents 100 males and 100 females were selected conveniently and purposely from rural areas of sonapat district as subjects. Questionnaire was used to assess the basic financial literacy and its relation with different parameters such as age, gender, occupation, monthly income and education. In order to examine the hypothesis of the present study crosstab correlation and chi-square test was applied to compare the association between different variables.

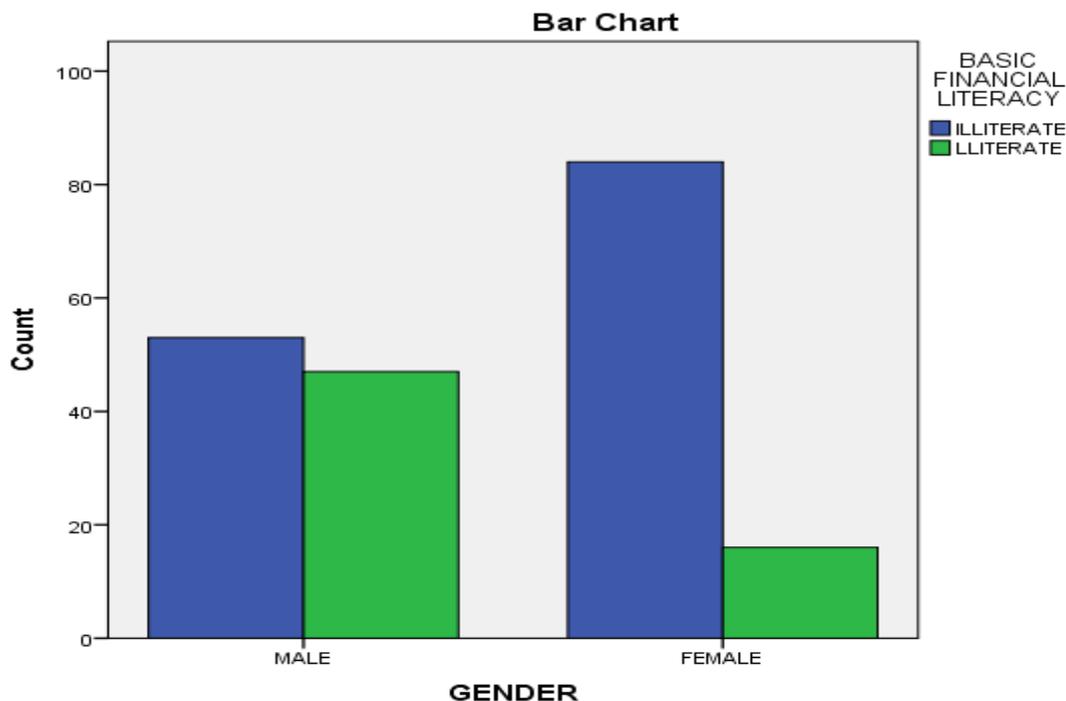
RESULTS AND DISCUSSION

Table showing association between gender and basic financial literacy

GENDER * BASIC FINANCIAL LITERACY Crosstabulation

Count

		BASIC FINANCIAL LITERACY		Total
		ILLITERATE	LLITERATE	
GENDER	MALE	53	47	100
	FEMALE	84	16	100
Total		137	63	200



Symmetric Measures

	Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval Pearson's R	-.334	.065	-4.981	.000 ^c
Ordinal by Ordinal Spearman Correlation	-.334	.065	-4.981	.000 ^c
N of Valid Cases	200			

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	22.269 ^a	1	.000		
Continuity Correction ^b	20.855	1	.000		
Likelihood Ratio	23.014	1	.000		
Fisher's Exact Test				.000	.000
Linear-by-Linear Association	22.157	1	.000		
N of Valid Cases	200				

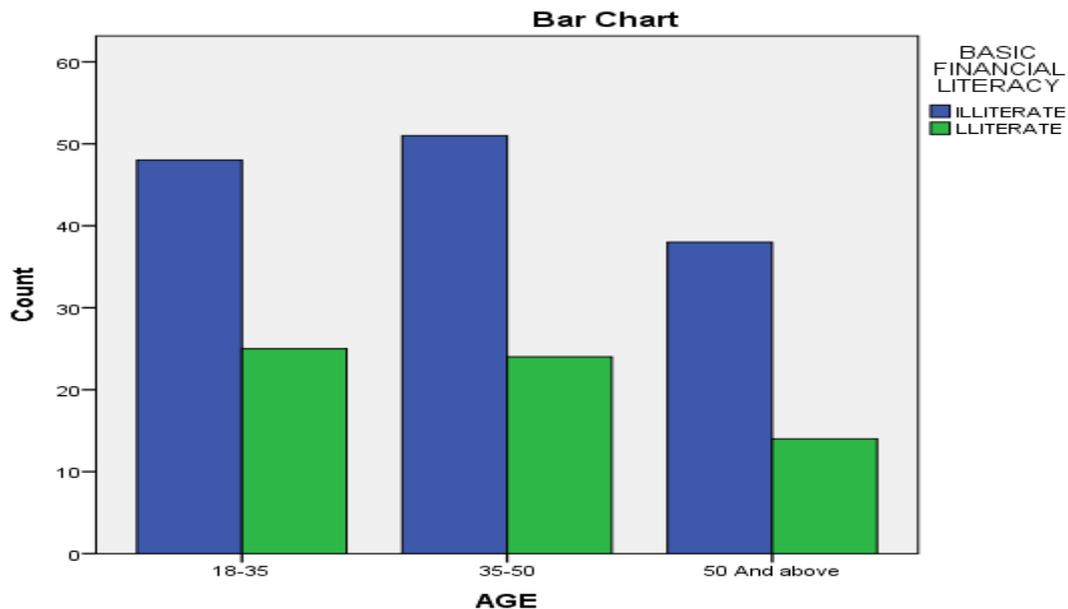
The results revealed in above tables is that H0 is rejected and significant relation is found between gender and basic financial literacy. Women is found weaker and shows possess less basic knowledge related to finance.47% males have basic financial knowledge whereas only 16%women have basic knowledge other 84% is not even able to answer simplest questions related to finance.

Table showing association between age and basic financial literacy

AGE * BASIC FINANCIAL LITERACY Crosstabulation

Count

	BASIC FINANCIAL LITERACY		Total
	ILLITERATE	LLITERATE	
18-35	48	25	73
AGE 35-50	51	24	75
50 And above	38	14	52
Total	137	63	200



Symmetric Measures

	Value	Asymp. Error ^a	Std.	Approx. T ^b	Approx. Sig.
Interval by Interval Pearson's R	-.060	.070		-.849	.397 ^c
Ordinal by Ordinal Spearman Correlation	-.059	.070		-.839	.403 ^c
N of Valid Cases	200				

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.769 ^a	2	.681
Likelihood Ratio	.780	2	.677
Linear-by-Linear Association	.722	1	.395
N of Valid Cases	200		

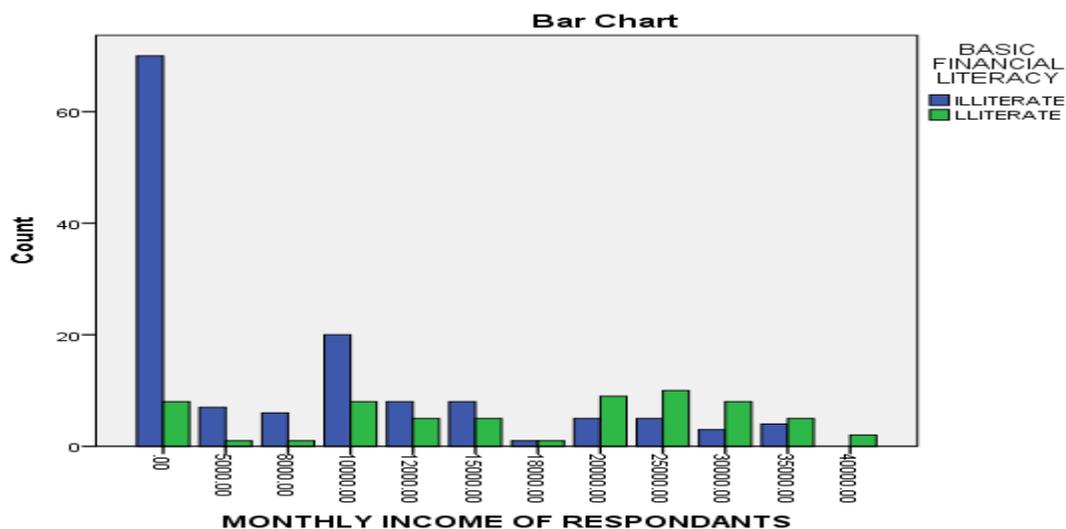
It was found that null hypothesis is accepted there is no association found between age and basic financial literacy there was no significant differences found between different age groups.

Table showing association between monthly income and basic financial literacy

MONTHLY INCOME OF RESPONDANTS * BASIC FINANCIAL LITERACY Crosstabulation

Count

		BASIC FINANCIAL LITERACY		Total
		ILLITERATE	LLITERATE	
MONTHLY INCOME OF RESPONDANTS	.00	70	8	78
	5000.00	7	1	8
	8000.00	6	1	7
	10000.00	20	8	28
	12000.00	8	5	13
	15000.00	8	5	13
	18000.00	1	1	2
	20000.00	5	9	14
	25000.00	5	10	15
	30000.00	3	8	11
	35000.00	4	5	9
	40000.00	0	2	2
Total		137	63	200



Symmetric Measures

		Value	Asymp. Error ^a	Std.	Approx. T ^b	Approx. Sig.
Interval by Interval	Pearson's R	.477	.061		7.641	.000 ^c
Ordinal by Ordinal	Spearman Correlation	.476	.059		7.614	.000 ^c

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	50.625 ^a	11	.000
Likelihood Ratio	52.338	11	.000

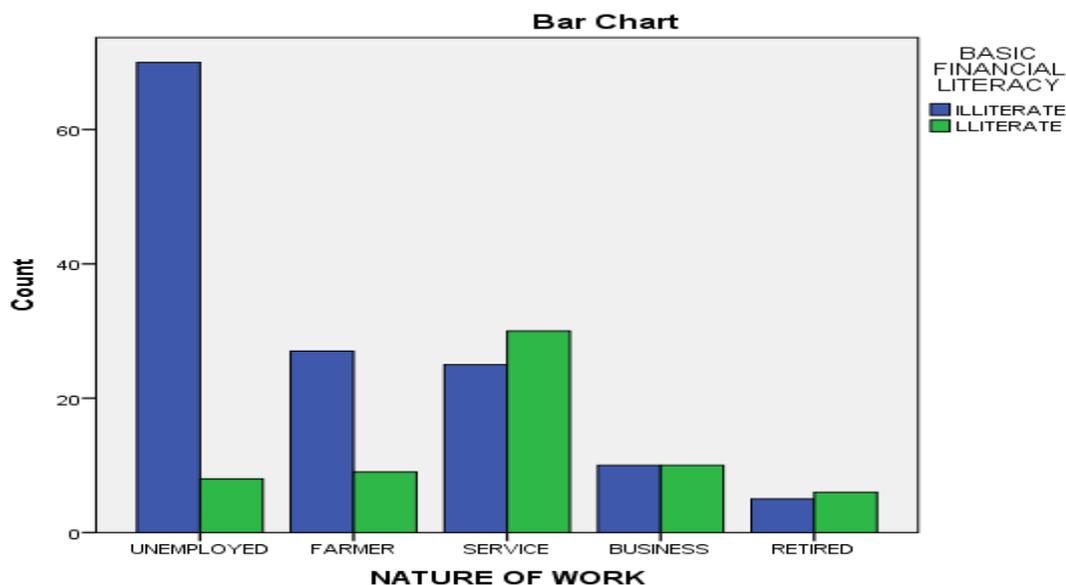
It was found from above tables that null hypothesis is rejected that is there is association between monthly income and basic financial literacy.

Table showing association between nature of work and basic financial literacy

NATURE OF WORK * BASIC FINANCIAL LITERACY Crosstabulation

Count

		BASIC FINANCIAL LITERACY		Total
		ILLITERATE	LLITERATE	
NATURE OF WORK	UNEMPLOYED	70	8	78
	FARMER	27	9	36
	SERVICE	25	30	55
	BUSINESS	10	10	20
	RETIRED	5	6	11
Total		137	63	200



Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	36.436 ^a	4	.000
Likelihood Ratio	38.468	4	.000
Linear-by-Linear Association	30.148	1	.000
N of Valid Cases	200		

Symmetric Measures

	Value	Asymp. Error ^a	Std. Approx. T ^b	Approx. Sig.
Interval by Interval Pearson's R	.389	.063	5.946	.000 ^c
Ordinal by Ordinal Spearman Correlation	.405	.061	6.242	.000 ^c
N of Valid Cases	200			

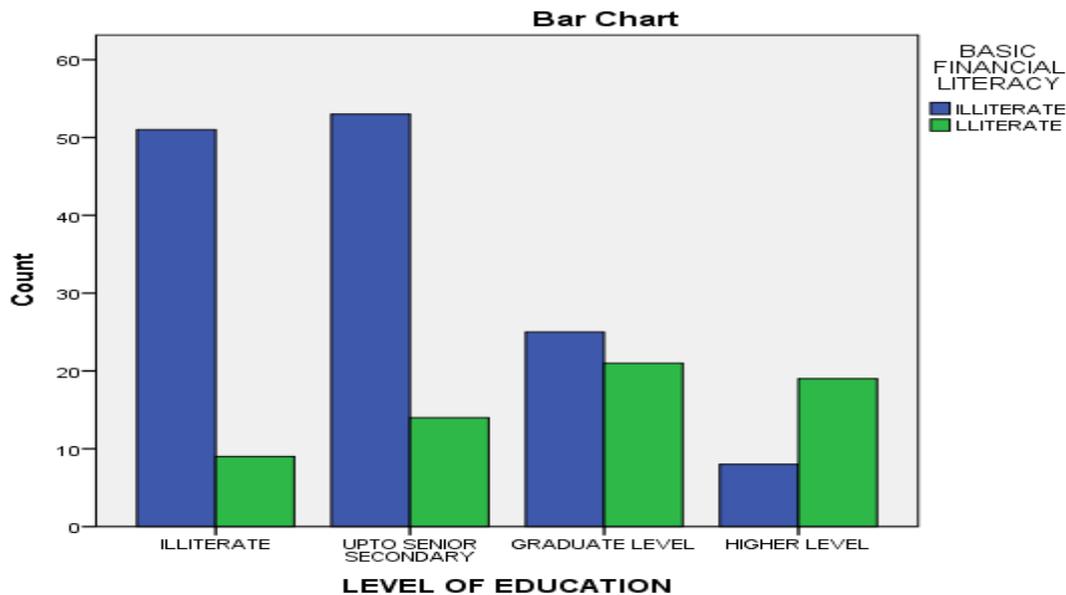
It was found from above tables that nature of work has significant association with basic financial literacy. People working in service sector have more knowledge related to finance than others.

Table showing association of level of education with basic financial literacy

LEVEL OF EDUCATION * BASIC FINANCIAL LITERACY Crosstabulation

Count

		BASIC FINANCIAL LITERACY		Total
		ILLITERATE	LLITERATE	
LEVEL OF EDUCATION	ILLITERATE	51	9	60
	UPTO SENIOR SECONDARY	53	14	67
	GRADUATE LEVEL	25	21	46
	HIGHER LEVEL	8	19	27
Total		137	63	200



Symmetric Measures

	Value	Asymp. Error ^a	Std.	Approx. T ^b	Approx. Sig.
Interval by Interval Pearson's R	.397	.065		6.080	.000 ^c
Ordinal by Ordinal Spearman Correlation	.383	.065		5.838	.000 ^c
N of Valid Cases	200				

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	34.238 ^a	3	.000
Likelihood Ratio	33.571	3	.000
Linear-by-Linear Association	31.311	1	.000
N of Valid Cases	200		

From above tables it was found that null hypothesis is not accepted which shows that level of education have association with basic financial literacy. Higher level of education have the highest level of financial knowledge.

CONCLUSIONS

Gender, monthly income, nature of work, level of education have association with basic financial literacy but in case of age no such association was found. Overall financial literacy was found to be very low many respondents were not even able to calculate simple interest.

RECOMMENDATIONS

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. Successful implementation of financial literacy programmes is most required.

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