

Financial Empowerment: Condition of financial literacy programme; Study of financial literacy level in Chandbali and Tihidi block in Bhadrak District, Odisha

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Abstract:

The need for financial literacy and its importance for financial inclusion have been acknowledged by all possible stakeholders. This paper attempted to introspect the interim impact of the financial literacy programme, a pilot project of three years (October 2017 to September 2020) by RBI i.e “Centre for financial literacy(CFL)”, which mainly focuses on three aspects Products, Processes and Protection taking target groups. The study aims at analyzing financial literacy level increase and getting benefits through the programme. This study used questionnaire and Focus group discussion methods by taking random samples of 60 households from programme villages and 40 households from control villages belongs to rural context in Bhadrak district, Odisha. Among the samples, the study shows Knowledge on KYC, Budgeting, Planning increased by 33%, 50%, 68% respectively and sharp increase of 65% in the awareness of saving and insurance schemes. The awareness about digital literacy has increased. The result also reveals that people have an understanding of basic financial information to a satisfactory level and are always ready to receive information. The study also suggests the steps to be taken by various stakeholders to increase the financial literacy level.

Keywords: Financial Literacy, RBI, Rural context, CFL, Control village

1. Introduction

Financial literacy is “a combination of financial awareness, knowledge, skills, attitude and behaviours necessary to make sound financial decisions and ultimately achieve individual financial well-being”. In India, a large number of stakeholders including financial regulators, financial institutions, educationists and other agencies are involved in spreading financial literacy. Efforts are continuously been made so as to improve the level of financial literacy in India , still level of financial literacy in India is very low (24 percent) as compared to BRICS Nations (28 percent) and European Nations (52 percent) in the year 2015.. India has now 180 billion accounts but 48 per cent of the bank accounts have seen no transactions in the last one year, according to the World Bank’s Global Findex database. Lack of financial literacy leads to the ill-informed financial decisions and these decisions in turn, have tremendous negative impact on the financial system as a whole. The need of financial literacy includes financial inclusion and inclusive growth, improvements in Knowledge and skill, freedom from vicious circle, empowers Entrepreneurship,

extreme penetration in Financial Markets etc. Financial literacy stimulates the demand side and makes people aware of what they should and can demand for financial inclusion. Financial literacy is thus imperative for financial inclusion and thereby to inclusive growth. **Michael (2009)** argues that “A lack of financial literacy can hamper the ability of individuals to make well-informed financial decisions. For people who exhibit problems with financial decision making, financial advice has the potential to serve as a substitute for financial knowledge and capability”. **R. Varma (2012)** conducted a study among 3000 individuals, and found that financial knowledge among Indians is very low than the International standards. **Aggarwal & Gupta, (2014)** Evaluated the influence of demographic factors like gender and education level have an impact on financial awareness. On the basis of their survey on 148 students, they tried to find whether having a commerce degree promotes financial awareness among college students. It was found that the level of education and discipline had positive impact on financial literacy.

1.1. About the Project

The broad objectives of the pilot CFL project as specified by the RBI are to:

1. Inculcate the habit of making a household budget and recording financial transactions
2. Encourage transactions in Savings Account
3. Encourage Active saving by depositing in banks through Fixed Deposits/Recurring Deposits
4. Ensure people borrow from formal finance institutions wherever required
5. Create Awareness about Grievance Redress mechanism in banks and Banking Ombudsman
6. Encourage Transactions through Electronic means viz. NEFT, RTGS, IMPS, Internet Banking, Mobile Banking, UPI (Unified Payment Interface) etc.
7. Encourage people to get Life Insurance and Pension products after they fully understand the features of the products

As implementing NGO of the CFL project, DHAN Foundation, designed the programme contents and activities that are relevant to stipulated objectives of the pilot project. This project is about facilitate in enhancing Knowledge, Attitude and Behaviour (KAB) of target community on 3Ps (Product, Processes and Protection) of Financial Literacy, focusing primarily on those outreached through Direct Access besides bringing greater awareness on those outreached through Indirect Access. The activities includes FLAP (Financial literacy awareness programme), RTC (Round table conference), CW(Community workshop), College campaign, counselling of the individuals and follow up the reached people thoroughly to get the impact factor.

2. Objectives of the study

The objectives of the study are

1. To understand CFL project activities and its current status.
2. To evaluate the target objectives met on three focus (Products, Processes, Protection)
3. To analyse the stakeholders perception and adoption to CFL project.
4. To assess the improvement required in CFL activities.

3. Methodology

A literature study and secondary data on different financial inclusions in the block helped me understand about the

district’s financial literacy level and Random Selection of the project Block. Project Villages and control villages are selected as per the distance from the financial literacy centre and for both equal category of respondents were selected for better outcome. The study villages are selected as per within 5 km distance villages, 5 to 10 Km distance villages, 10 and above km distance villages as per the criteria set by the location for the CFL project by DHAN Foundation the project handling Organisation. A well structured questioner was formed for both control village as well as project villages and random sampling was taken.

Data was collected structured questionnaire and face-to-face interviews as well as some Participatory rural appraisal (PRA) technique. The questionnaire was selected was prepared keeping an eye on different target community like women SHG members, farmers and labours, opinion leaders, school students and youths etc. Most prominently the questionnaire was focused on the knowledge about financial literacy and the facilities availed by the respondents after going through CFL programmes.

In total 100 samples were taken out of which 60 samples are from the villages where the CFL project is implemented and another 40 in the control village where the project is yet to reach. The respondents were interviewed at their home or working place during march-April 2019. The respondents includes male, female, youths, students.

4. Analysis and Discussion

4.1. Products Awareness

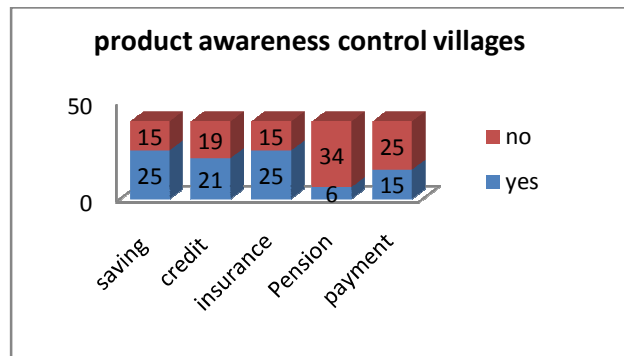


Figure 1: Product awareness level survey in control villages

Source: Primary data collection

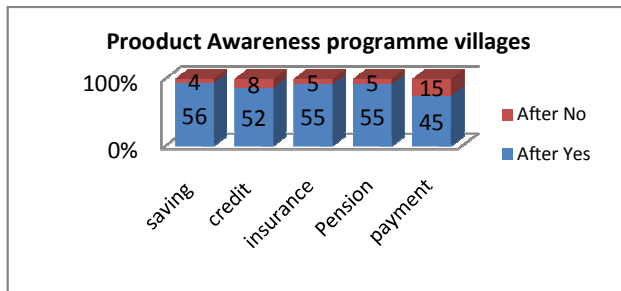


Figure 2: Product awareness level survey in programme villages

Source: Primary data collection

Almost all the respondents in the project implemented village are aware about the product awareness. If it is compare between the programme village and control village, the saving, credit and insurance awareness has increased by above 30% in a year of the project implementation where as the awareness about pension has increased above 75%, which gives inference that people are learning fast and keen to learn. After the implementation of the project all 91% of the respondent has been included in insurance scheme.

4.2. Process Awareness

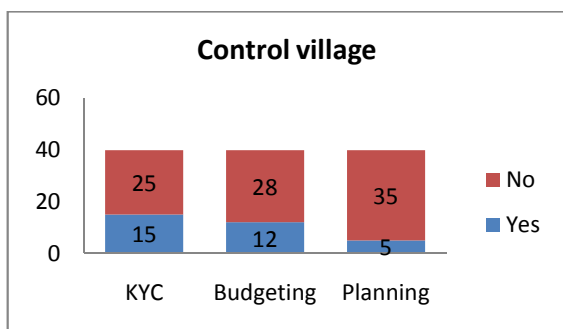


Figure 3: Process awareness level survey in control villages

Source: Primary data collection

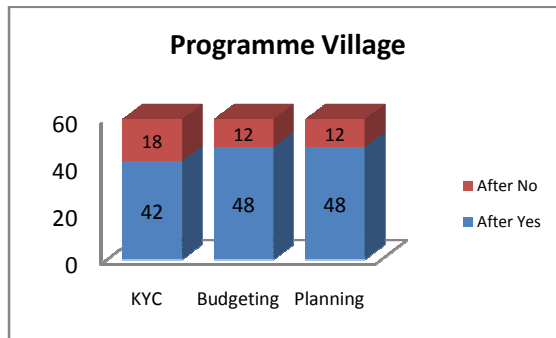


Figure 4: Process awareness level survey in control villages

Source: Primary data collection

The process awareness among the respondents shows that after the implementation of the project the awareness on KYC, budgeting and planning has increased 33%, 50% and 68% respectively which gives a inference that before the project implemented peoples are little aware about the KYC and were lacking in the awareness of budgeting and planning which shows a significant increment in the awareness level.

4.3. Protection Awareness

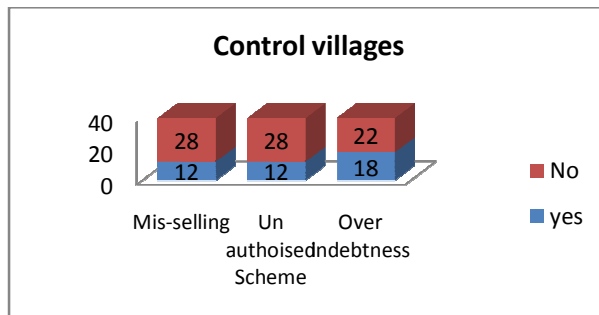


Figure 5: protection awareness level in control villages

Source: Primary data collection

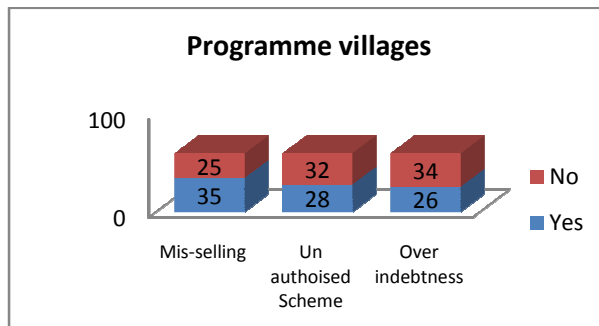


Figure 6: protection awareness level in programme villages

Source: Primary data collection

Especially in rural villages mis-selling and un authorized scheme is a common practice due to which people get trapped and unknowingly they get into financial loss. After the project people are slowly getting awareness about Mis-selling, unauthorized scheme and over indebtntess. The awareness now giving idea to the people which scheme to choose and which one to reject.

4.4. Stakeholders Perception

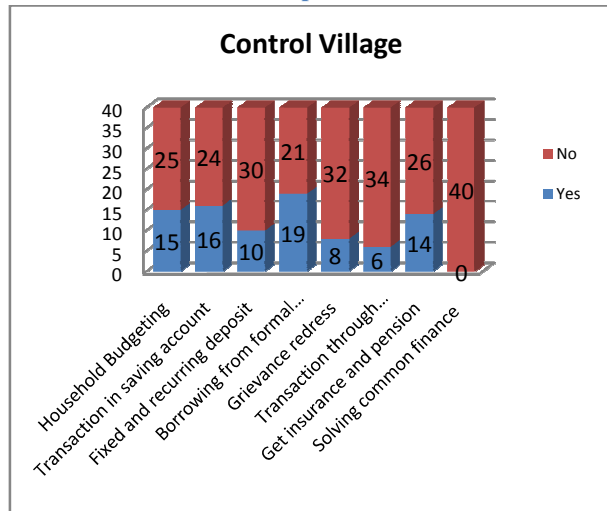


Figure 7: Stakeholders perception in control villages about FL

Source: Primary data collection

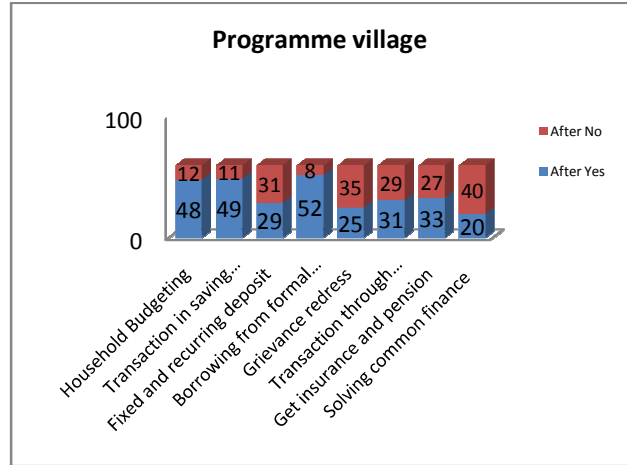


Figure 8: Stakeholders perception in programme villages about FL

Source: Primary data collection

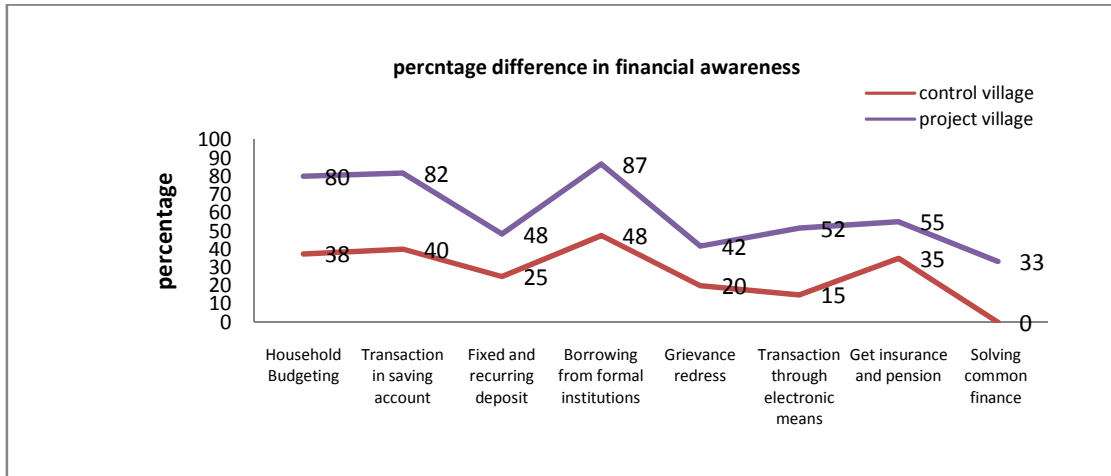


Figure 9: Comparison in stakeholders perception in control and programme villages (difference in percentage)

Source: Primary data collection

The stakeholders perception from the graph clearly shows a significant increment in the perception as well as knowledge on the financial literacy over the last one year and the project clearly achieving its objective. The percentage increment shows people are getting benefit from the programme and will get more benefits in future.

Conclusion

There is a growing belief that the individual would need to become more self-reliant in the future. It has been seen that the objectives set by RBI in the pilot project has been positive impact on the rural community in the project implemented areas as 56% of the population are aware of the project and 35% of the respondents are able to utilize the knowledge and included themselves either in pension or insurance scheme. But it is not that high in the control villages as many people are unaware of the government schemes and other important schemes. Most of the population are unaware about digital transaction and mobile banking. So the CFL project should continue its reach and make people more efficient to handle money effectively.

Way forward

To increase the reach of the project and spread the awareness broadly some of the needs to be focused like the need for comprehensive monitoring mechanism and MIS, survey of needs of target population before any CFL programme, Regular follow up, Potential roles play by Banks/MFIs, linking with OLM(Odisha Livelihood Mission), transportation facility availability to the field staffs, Increasing number of field staff, extension of Financial Literacy Centre at Block level, helping the community to get minimum documents to avail any financial products will help in increase the enrolment in different schemes. The conversion of the pilot project into a long term project will a hell a huge population to get awareness about the financial literacy.

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