

Financial Literacy for Financial Inclusion of Women: A Case Study of Panna District of Madhya Pradesh

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Abstract

The document 'Strategy for New India @ 75', released by NITI Aayog presents a comprehensive strategy reflecting people's quest for building a new India by 2022. Financial inclusion is an important driver for achieving this goal. Ensuring rapid growth with inclusion is a major issue of substantiable and more inclusive development. The path of financial literacy leads to the goal of Financial inclusion.

Financial literacy helps individuals make more assertive and efficient decisions in the monetary context of their lives. Therefore, financial literacy remains a crucial element of financial inclusion. This element becomes more crucial in case of women. This paper has as its central axis developing a model that explains the financial literacy for financial inclusion of women based on a case study of Panna district of Madhya Pradesh.

Financial literacy has been recognized worldwide as a significant element of stability and socio-economic and financial growth, which is reflected in the recent approval of the High-Level Principles on National Strategies for Financial Education by the OECD, endorsed through a G20 meeting. However, there are some key aspects involving financial literacy. The various terms used to describe financial literacy-related concepts including in particular financial education and financial capability, but also financial culture and financial insight could be used relatively interchangeably as they reflect similar perceptions of the reality they aim to cover. The need for women to gain access to financial services and financial education has been widely recognized, showing the importance of addressing women's financial literacy as a way to improve their financial empowerment, opportunities, and well-being. This is the prominent focus of current case study.

The objective of this research paper is to examine financial literacy of women in the respect of financial inclusion in Panna district of Madhya Pradesh in light of the barriers relating to usage, outreach and accessibility.

Keywords: Financial Literacy, Financial Inclusion, Women Empowerment, Financial Products and Services.

Gel Code : O16, J16, G5, G51, G53

Introduction

The term financial literacy can be stated as a barrier as it implies that a person may be financially illiterate and uneducated. Making financial choices and discussions pertaining to money matters and financial issues can create certain level of discomfort for women who are uncomfortable discussing it. Further, another barrier being the label of illiteracy, which creates a perception about a person unable to understand or not having the knowledge to understand.

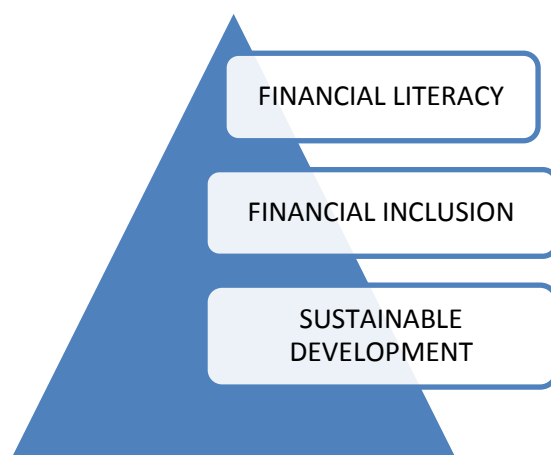
Organization for Economic Co-operation and Development (OECD) has defined financial education as "the process by which financial consumers and investors improve their understanding of financial products, concepts and risks, and through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being". The Organization for Economic Co-operation and Development started an inter-governmental project in 2003 with the objective of providing

ways to improve financial education and literacy standards through the development of common financial literacy principles.

In March 2008, the OECD launched the International Gateway for Financial Education, which aims to serve as a clearinghouse for financial education programs, information and research worldwide. In recent years the importance of Financial literacy has grown with the financial markets becoming complex. The increasing information gap between markets and common person has made it difficult to make correct financial choices. India being

one of the world's most efficient and regulated financial markets and has one of the highest savings rates in the world. Though the people in India prefer to save, the savings are not invested in a wise manner with majority of Indian population being unable to use modern financial products. Need of the hour is to educate the common man about the changes in the financial products and services such that she can protect herself from financial distress. Else, wealth creation for the common man and the economy will remain a distant dream. The three pillars of Financial Stability can be understood from the figure below:

Figure 1: The three pillars of Financial Stability



Source: Compiled by researcher on the basis of OECD 2008.

The term "financial inclusion" has gained importance since the early 2000s, a result of findings about financial exclusion and its direct correlation to poverty. The United Nations defines the goals of financial inclusion as follows:

1. Access at a reasonable cost for all households to a full range of financial services, including savings or deposit services, payment and transfer services, credit and insurance;
2. Sound and safe institutions governed by clear regulation and industry performance standards;
3. financial and institutional sustainability, to ensure continuity and certainty of investment; and
4. Competition to ensure choice and affordability for clients.

Former United Nations Secretary-General Kofi Annan, on 29 December 2003, said: The stark reality is that most poor people in the world still lack access to sustainable financial services, whether it is savings, credit or insurance. The great challenge before us is to address the constraints that exclude people from full participation in the financial sector. Together, we can and must build inclusive financial sectors that help people improve their lives

The OECD is putting efforts for increasing financial consumer protection, which includes determining what is required for helping the consumers to improve confidence, knowledge, information, security and choices needed to enable them to fully participate in financial markets. In order to overcome such barriers, the banking sector has emerged with some technological innovations such as debit and credit cards, automated teller machines

(ATM), internet banking, etc. Introduction of such banking technologies has brought a change in the urban society with a majority of the rural population still being unaware of these changes and excluded from formal banking. Need of the hour is empowerment of the deprived, women poor of the society thus making them well informed and self-sufficient to take best financial decisions.

Meaning of Financial Literacy

Financial literacy is about education and understanding of various financial areas including topics related to managing personal finance, money and investment. Financial literacy in general related to managing personal budgets, taking proper and efficient decisions related to one's own finances such as investment, purchasing or investing in real estate, education for their children and saving for future. It is also related to knowledge about calculating simple and compound interest, managing their debts, techniques related to savings and spending and proper utilization of their money.

The lack of financial literacy may lead to making poor financial choices that can have negative consequences on the financial wellbeing of an individual. Financial literacy is a way through which individuals can improve their knowledge related to various concepts in finance, financial products and services such as shares, bonds and mutual funds and take proper decision to improve their financial status and to avoid financial instability. Financial literacy is a combination of awareness, attitude and information about financial products and services through which

one can take proper and god decisions related to finance.

Financial literacy indicates awareness of financial products. Financial literacy depends on how one manages his own money and how efficiently utilises financial resources for the growth and welfare of oneself, his business and family as a whole. SamritiKamboj stated financial literacy as a way to acquire full knowledge and understanding on various concepts of financesuch as how much to save from your earning, how to prepare budget for future and daily expenditure, investing confidently for making good decisions in the financial markets to manage personal financial resources effectively. It is to understand how money works in a business and in personal life.

Review of Literature

Government of India (GOI), 2008 examined financial inclusion as a delivery mechanism providing financial services at an affordable cost to the vast sections of the disadvantaged and low-income groups. The recommendations of the report focused on the following areas. First, financial inclusion should include access to mainstream financial products. Second, banking and payment 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 thereby suggested the constitution of a National Mission on Financial Inclusion (NMFII) in order to achieve universal financial inclusion within 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 better credit absorption capacity among the poor and vulnerable sections 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 an understanding of one of the best ways to achieve inclusive growth through financial inclusion.

Reserve bank of India (RBI), 2014 focused on the provision of financial Services to the small businesses and lowincome households. Among the main motives of the committee included designing principles for maximum financial inclusion and financial deepening and also framing policies for monitoring the progress in the development of financial inclusion in India. Thus, in order to achieve the goal of maximum financial inclusion and increased access to financial inclusion the committee proposed the following measures: provision of full-service electronic bank account; distribution of Electronic Payment Access Points for easy deposit and withdrawal facilities; provision of credit products, investment and deposit products, insurance and risk management products by formal institutions. The main findings of the report highlighted the following key issues. First, the majority of the small businesses were operating without the help of formal financial institutions. Second, more than half of the rural and

urban population did not have access to bank account. Third, savings in terms of GDP have declined in 2011-12. To address these issues, the Committee recommended that each individual should have Universal Electronic Bank Account while registering for an Aadhar card. The committee also proposed for setting up of payments banks with the purpose of providing payments services and deposit products to small businesses and low income households. Also banks should purchase portfolio insurance which will help in managing their credit exposures. Further, the Committee recommended for setting up of a State Finance Regulatory Commission where all the state level financial regulators will work together. For the interest of the bank account holders, the committee recommended for the creation of Financial Redress Agency (FRA) for customer grievance redress across all financial products and services which would coordinate with the respective regulator.

According to Baluja,Garima, (2016) The economic growth and development of nation are highly influenced by the financial decisions taken by individuals and it is not an easy task to take financial decisions.Several factors influence the financial literacy among individuals among them main factor is "Gender".And on an average woman perform less than men.In India women's position in society, their education, health, economic position, gender equality are the main topics for debate. Women in India are lagging in personal financial planning.Survey showed that percentage of financial literacy among women in India is quite low which needs special focus.Various studies showed that women manages household finance and short term finance well but when it comes to major financial decisions, long term finance women need special education and guidance. Longer life expectancy, economic growth, self-independent, freedom from exploitation, family well being are various arguments that support that women should be financially literate to take financial decisions. Lack of independence, culture, lack of women centric financial schemes, lack of accessibility, lack of information on existing financial services and requirements, less lucrative benefits, lack of basic education, lack of financial resources are the major factors that are influencing financial literacy among women in India. Financial literacy and credit counselling centres, BetiBachao, BetiPadhaoYojana, Sukanya Samridhi Yojana, PradhanMantri Jan DhanYojana are the various measures taken by Government of India to improve the financial literacy in India. Providing training, financial awareness and education, establishing awareness and education,, establishing nearby institution, better technology, e-learning, cultural change, more benefits to women, establish more women oriented universities are the measures to be taken to enhance financial literacy among women in India

Anshika,et al,(2017) said thatthe growth of financial system of an economy depends on the financial literacy.With increasing financial products and services, changes in market system financial literacy plays a vital role.In case of India financial

literacy level is very low 24 percent compared to other countries in year 2015. Low level of financial literacy leads to less economic growth of the country. In this paper author tried to find out the present level of financial literacy in India and analysed the initiatives taken by government of India towards financial literacy and also suggested some measures to improve the financial literacy levels. In India Kerala is highly literate state but has the second highest level (36%) of financial literacy, Goa has 50% financial literacy, Manipur 36% and Gujarat 33% which is still considered very low. Other states have below 20%. SEBI (Securities and exchange board of India) has started giving financial awareness programmes for school students, working executives, middle income group, home makers, retired personnel, self help groups etc. Project financial literacy has been undertaken by RBI (Reserve Bank Of India) to provide awareness related to the basic banking concepts to various target groups. IRDA (Insurance Regulatory and Development Authority) has organized financial literacy programmes on national television and radio. Various seminars and campaigns have been conducted by National Stock exchange, Broking Houses and mutual funds.

Research Objective

To examine financial literacy of women in the respect of financial inclusion in Panna district of Madhya Pradesh in light of the barriers relating to usage, outreach and accessibility.

Hypothesis

H₀ : The demand for financial products and services (usage) of women of Panna district of Madhya Pradesh is not significant.

H_a : The demand for financial products and services (usage) of women of Panna district of Madhya Pradesh have been significant.

Research Methodology

In this research, explanatory and descriptive research designs were used. This study is based on Quantitative data as well as Qualitative data. The study is also based on both primary data and secondary data. The primary data collected through a structured schedule. It is designed on the basis of open-ended, close-ended & Likert Scale questions which has been developed and administered for this purpose. Secondary data was collected from various published sources such as journals, magazines, books, databases, websites, reports, newspapers, official website of Madhya Pradesh Statistics Department, Economic Survey of Madhya Pradesh, State Level Banking Committee (SLBC), NABARD, Centre for Microfinance (CMF), Reserve Bank of India (RBI) etc. The women of age group 18 or more than 18 years are the unit of the study. Sample Size is 360, in which 36 from Gehara Gram ward of Panna tehsil, 54 each from two villages (Umri, Gajana; Deori, Raikara; Purana & Lamtara) from three blocks (Panna, Pawai & Shahnagar). The method of sampling used in this study are multistage mixed sampling- purposive, strata and random sampling.

Analysis of The Study

In this analysis researcher has found financial illiteracy is the barrier of financial inclusion (demand and supply side of financial products and services) such as Accessibility, Availability, and Usage. Demand of financial products and services related barrier mainly analyze in the term of financial illiteracy among women is taken in this paper. For analyzing it, researcher is trying to examine some variables example-

1. Utilization of the accounts by the women account holders of the financial service centers specially in banks.
2. Frequency of operating the bank accounts by the account holders.
3. Utilization of the accounts for gas subsidy by the account holders.
4. Utilization of the bank accounts opened for MGNREGA by the account holders.
5. Utilization of the bank accounts for loan by the account holders.
6. Utilization of the bank accounts for bill payments by the account holders.
7. Utilization of the bank accounts for transfer of money by the account holders.
8. Utilization of the bank accounts for pension/scholarship by the account holders.

One sample t-test has been applied as the statistical tool to test the second hypothesis of the study. If more than fifty per cent mean value of the mentioned variables lies less than 3 universal mean at the significant results, then it will show that there is no significant impact of financial inclusion among women of Panna District of M.P. or vice-versa.

Table exhibits the results of one sample t-test with the mean value, standard deviation, standard error, t value, degrees of freedom, level of significance and p-value of all variables. For t-test the null hypothesis is that the universal mean i.e. 3 is equal to sample mean and the alternative is that the universal mean i.e. 3 is not equal to sample mean. If both will equal to other, it will show the neutral response of the respondents or vice-versa.

In the table, the first indicator has the mean value of 4.08 and its significant value is less than 0.05, besides 2.35 is the mean value of second indicator with the p value of .004. The third indicator has the mean value of 4.15 and its significant value less than 0.00. The fourth indicator has the mean value of 2.85 and its significant value is more than 0.05. Fifth indicator has the mean value of 2.57 that is also significant because p value of it is less than 0.05. Same as sixth, seventh and eighth indicator has the mean value of 1.01, 1.01, 1.13 respectively and all these values are significant. The mean values of all variables are below 3 (except two values) and significant value in each statement (except one value) is less than 0.05. Therefore, it shows both means are not equal to each other. In other words, it shows the negative response of the respondents.

Table-1: Results of t-Test

| PARTICULARS | Mean | SD | SE | t _{cal} | d.o.f. | los | p-value |
|---|------|-------|-------|------------------|--------|-----|---------|
| Utilization of the accounts by the women account holders of the financial service centers specially in banks. | 4.08 | 1.098 | 0.058 | 18.486 | 353 | .05 | .000 |
| Frequency of using the bank accounts by the account holders | 2.35 | 1.006 | 0.053 | -2.880 | 359 | .05 | .004 |
| Utilization of the bank accounts for gas subsidy by the account holders | 4.15 | 1.422 | 0.077 | 18.205 | 337 | .05 | .000 |
| Utilization of the bank accounts for MGNREGA by the account holders | 2.85 | 1.997 | 0.109 | -1.416 | 337 | .05 | .158 |
| Utilization of the accounts for loan by the owner account holders | 2.57 | 1.957 | 0.106 | -4.002 | 337 | .05 | .000 |
| Utilization of the bank accounts for bill payments by the account holders. | 1.01 | .121 | .007 | -301.877 | 337 | .05 | .000 |
| Utilization of the accounts for transfer of money by the account holders. | 1.01 | .094 | .005 | -389.715 | 337 | .05 | .000 |
| Utilization of the accounts for pension/scholarship by the account holders. | 1.13 | .334 | .018 | -103.175 | 337 | .05 | .000 |

Source: Calculated by researcher on the basis of field survey

Therefore, the null hypothesis of the study will be failed to reject i.e. the alternate hypothesis is rejected. It can be said that the demand of financial products and services of women of Panna district of M.P. is not significant. Education level of the respondents is dependent on the MGNREGA payments of the respondents. 14.1 per cent of educated (most of them were completed only less than 5 year of schooling) and 29.2 per cent uneducated respondents were receiving the MGNREGA payments and remaining 29.5 per cent educated respondents and 27.2 per cent uneducated respondents were not getting MGNREGA payments. This finding has many interpretations such as educated women do not feel safe and also prefer to work in high paid environment.

Financial utilization of the bank by the account holders such as opening the zero balance account through Pradhan Mantri Jan Dhan Yojana (72.50%), bank account to receive gas subsidy (80%), MGNREGA payment, Janani Suraksha Yojana and other government schemes have also been a reason for opening bank accounts by the respondents. Maximum respondents (93.88%) were using bank accounts for taking multiple benefits that were provided by the government or may be for taking loan or for other purposes. Insurance scheme (51.38%) like Pradhan Mantri Suraksha Bima Yojana, Jeevan Jyoti Bima Yojana had been initiated along with the PMJDY with have positive impact on financial utilization. But lack of financial literacy respondents had not taken benefits properly.

Out of 354 respondents, 16 respondents just opened bank accounts for being beneficiary of MNREGA scheme but they are not using it in any other way. Rest are using their accounts mostly for taking government financial benefits as well as government insurance schemes. 36.94 per cent respondents in overall using their accounts for taking loan in which 20 respondents are direct user and rest are being user through SHGs. 8.05 per cent respondents are using their accounts for saving and

0.83 per cent respondents in overall are using their accounts for remittance. It means very few users use their accounts for savings, investment and transaction purposes.

The above analysis shows the women of Panna district of M.P. are covered significantly by financial inclusion but the impact of financial literacy among women of Panna district of Madhya Pradesh are very low. There are many reasons for its low impact.

Table-2: Difficulties Faced During Taking Advantage of Banking Products and Services

| Heads | Percentage |
|--|------------|
| Need of supportive person | 64.70 |
| Difficulties to understand the relevant document | 81.00 |
| Time and money loss | 83.43 |
| No problem | 11.11 |

Source: Compiled by researcher on the basis of field survey.

Mostly illiterate persons were taking only government benefits but due to their illiteracy they were not availing a large number of banking products and services, leading to another important barriers on the demand side of financial illiteracy. 81 per cent of respondents were not able to understand the relevant documents of the bank such as withdrawal form, deposit form, check book etc. They were unaware about mobile banking, internet banking and ATM to avail such banking services. Therefore, they needed a supportive person.

On the supply side researcher found that 64.7 per cent of respondents do not go to the bank alone because of the long distance of the bank from their home. Mostly bank branches are established at the distance of more than 5 km., therefore, they need a person either/husband/family member /relative for going to the bank. Due to orthodox family environment, mostly women do not go to the bank without any other person and also, they have lack of confidence, hesitation and unawareness about financial activity.

83.43 per cent respondents were facing wastage of time and money due to the distance of bank from the house, transportation facilities are not adequate, and they also do not find friendly accessibility to banking products and services.

Suggestions to Improve Financial Literacy

1. More awareness programs should be created at different levels especially in rural and regionally backward areas regarding the basic banking services and their benefits.
2. The government should ensure the reach of their various promotional programmes like "Jan DhanYojna" specifically to women especially living in rural and tribal areas so that the purpose of organising these promotional programmes could be achieved which is to provide basic banking facilities on a larger scale.
3. The government may form the team of women only who can help the women in those areas where women cannot go outside their homes to get any type of information; so that they can also know the basic money management concepts and its importance as well as how these can help in their own financial condition and family too.
4. Women must have to grab the opportunity and use the financial information available, if they really want to improve their financial literacy. To get more financial knowledge women have to attend more and more workshops, seminars, and financial management courses in their nearest place.
5. In rural areas the bank must follow communication through vernacular/ regional/ local language, which may help the women to understand the information from banks; since the literacy rate among women especially in rural areas were very low.
6. Government must spread the information on larger scale especially in rural and backward areas about various literacy programmes which was run exclusively for women, so that they may attend that programme and learn the basic numeracy which help them in their empowerment and prosperity of the family as whole since women are the backbone of every family.
7. Matters related to basic finance and money related issues must be talk about among families, especially to female children so that they must understand the basic concepts of financial literacy and its importance in their future thus helping them understanding the actual meaning of empowerment since their childhood.
8. Women must have to inculcate the habit of financial planning as soon as they started earning and must be clear about their long term financial goal so that they can utilise their earned money in more effective manner to secure their future and after retirement period thus ultimately helps in achieving their financial goal.
9. Women must maintain a financial diary in which they can write down their weekly or monthly expenses and try to control their expenses or try to spend wisely; so that they can maintain regular

savings which ultimately help them and their families in uncertain future expenditures.

Conclusions

Financial literacy among women is very low. It enables people to understand what is needed to achieve a lifestyle that is financially balanced, sustainable, ethical and responsible. It is directly related to the wellbeing of an individual and society as a whole. Financial literacy would help the women in making better financial decisions and helps in the utilization of financial products and services. It is very encouraging to see that today women are at par with men in all fields but when it comes to financial decision-making, they are still dependent on the male members of their family. In our country, where poverty and unemployment are the major problems, it is very crucial to financially literate the women to fuel the engine of growth by providing opportunities to women to contribute to economic growth.

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