

A Gateway to Greater Financial Literacy

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ABSTRACT

Financial Literacy is the front runner of financial inclusion, and the resultant inclusive growth. Global FinLit Survey 2015 shows that 76 per cent of the Indian adults are not financially literate. Knowledge about financial products and services, and ability to seek right information from the right source make people capable of comparing the risks and rewards involved in financial products and services offered by commercial banks and other financial intermediaries. Age, income level, educational attainment and socio-economic factors have significant bearing on the financial literacy level of the people. This paper makes an attempt to assess the financial literacy of marine fisher households in the District of Alappuzha. The analysis reveals that one-third of the marine fisher households are aware of the rate of interest offered by commercial banks for deposit accounts. Two-third of the fisher households, irrespective of the income level, is aware of the rate of interest charged by commercial banks for credit products. More than 70 per cent of them are unfamiliar with new-generation financial products and services offered by commercial banks. This study calls for a systematic and well-structured financial literacy programme to be conducted among marine fisher households.

Keywords: Financial Literacy, Financial Inclusion, Marine Fisher Households

I. INTRODUCTION

FINANCIAL LITERACY is acknowledged as a prerequisite for financial inclusion and economic development of the Nation. Financial literacy has great influence on the people and financial service providers at multi-dimensional spheres. It empowers poor households with limited resources to have better financial management and make them capable of taking informed decisions, thereby improving the standard of living. Mukherjee (2010) defines financial literacy as 'the familiarity with and understanding of financial markets, products especially rewards and risks in order to make informed choices'.

Financial literacy opens up a provision for consumer protection and fair dealings from commercial banks. Financial service providers need to be more transparent and accountable in

providing quality financial service to the well-informed customers. Banks as privileged institutions provide services in the nature of public goods. Their commitment towards customers needs to be multi-faceted. Besides the financial commitment to provide credit when required, and fulfilling the standing orders; banks are expected to 'treating the customer fairly' and to mend their grievances and complaints (Subbarao, 2010).

Financial literacy is found to induce quality and integrity to customers in particular and the market in general (Reddy, 2006). Financial literacy encompasses concepts ranging from financial awareness and knowledge, financial products, institutions and financial skills. It should also inculcate in customers the ability to calculate compound interest payments, and financial capability in terms of money management and financial planning (Xu & Zia, 2012). A study by Klapper, Lusardi, & Panos,

(2012) reported that financial literacy is low among women, low-income groups and people living in rural areas. Empirical studies have traced lack of financial literacy as the major constraint for greater financial inclusion. In India, financial literacy initiatives are just picking up. Social-economic and psychological factors of the people and the mindset of the service providers have definite bearing on the level of financial literacy. It is high time that appropriate innovative steps are considered to instill financial literacy, so that financial inclusion is ensured.

In India, financial literacy has been measured by various agencies and forums. These studies reveal that more needs to be done in this area. VISA's International Barometer 2012, found India's Financial Literacy Index Score to be 35 out of 100. India is ranked 23rd among the 28 countries. The Global Financial Literacy Survey conducted by Standard & Poor's Ratings Services is the world's largest and most comprehensive global measurement of financial literacy. The survey named 'S&P Global FinLit Survey-2015' reported that 76 per cent of the Indian adults were not financially literate. Further, the rate of financial literacy is much lower than the world average of 33 per cent. The survey was conducted among 140 countries and data was gathered from 1, 50,000 adults across the world. The survey examined financial knowledge in four concepts like risk diversification, inflation, numeracy and calculation of compound interest. According to Global Financial Literacy Excellence Centre (2016), financial literacy has become a prime concern for India, especially among the women and vulnerable sections of the society. Almost all recent assessment reveals that India has to tread a long way in this regard.

Adequate literature has evolved in the field of financial literature. Gopinath (2006) opined that financial education is much beyond financial information and advice. It should enable the individuals with low resources and skills to assess and estimate the financial dealings with various financial service providers. It ultimately influence and modify the behavior of the individual in managing the personal finance on a daily basis. He strongly brought out the point

that financial education could supplement the financial inclusion initiatives for long-term efficiency. He envisioned an 'auto pilot' concept wherein well-informed customers demand the needed financial services from the financial intermediaries. It was also argued that financial education is one of the significant aspects of the financial policy that can enhance financial literacy and financial access.

Joseph (2014) conducted a study to measure financial literacy among the economically marginalized people of Alappuzha and Kottayam district of Kerala state. The study was based on the data collected from 300 BPL families selected from 24 urban and rural Local Self Government wards. The major findings of the study, conducted under the four tier financial literacy-Saving literacy, Spending literacy, Borrowing literacy and Investment literacy found that:

- 1) Overall financial literacy of marginalized people is very high, with only a meager per cent of people being financially excluded.
- 2) General financial knowledge of the marginalized group in Alappuzha (74.2 per cent) was better compared to Kottayam (66.1 per cent).
- 3) Kottayam (89.5 per cent) depicted more saving literacy compared to Alappuzha (89.5 per cent) and have made their savings in Post Offices and Self Help Groups.
- 4) Spending literacy was found to be 96 per cent and borrowing literacy was 73 per cent.
- 5) Overall Investment literacy was 83 per cent.
- 6) Around 32 per cent of the respondents have savings in banks
- 7) Financial education and training could promote financial literacy leading to increased demand for financial products and services.

II. RESEARCH PROBLEM

Alappuzha, once the hub of business and trade, has become an industrially backward district as coir and fisheries sector have become stagnant.

The socio-economic status of marine fisher households in Alappuzha is low compared to other Southern districts in Kerala. People are struggling to make both ends meet; as fishing industry has become capital intensive and the volume of fish landings decreasing considerably, especially for the fishermen who are involved in pelagic fishing. Financial inclusion drive has succeeded to include every fisher households under the fold of formal banking institutions by routing the relief scheme through their bank accounts. Many households have secured insurance protection. These households continue to depend upon the informal financial intermediaries for meeting their financial needs. Hence, awareness level of the marine fisher households regarding the financial products and services offered by commercial banks and the risks and rewards involved in each financial product need to be explored. If marine fisher households are not given proper knowledge about the financial services and products offered by formal financial institutions, they may not be able to reap the benefit of the financial products.

III. OBJECTIVES OF THE PAPER

The objectives of the paper are:

1. To ascertain the extent of financial literacy of Marine Fisher Households
2. To determine the awareness level of Marine Fisher Households regarding the various financial products and services.

IV. HYPOTHESES

The hypotheses formulated for the study are the following:

- There is no significant difference in the financial literacy of Marine Fisher Households by income category.
- There is no significant difference in the awareness level of the Marine Fisher Households regarding the financial products and services.

V. SIGNIFICANCE OF THE PAPER

Financial inclusion and financial literacy are complementary to one another. Empirical studies have proved that financial literacy varies with income of the households, age and educational attainment of individuals. According to Census 2011, out of 24.67 crore households in the country, only about 14.48 crore or 58.70 per cent households had access to banking services. Further, of the 16.78 crore rural households, only about 9.14 crore or 54.46 per cent households were availing banking services. CRISIL-Inclusix, the financial inclusion measure used in India presents the district-wise financial inclusion index score of 638 district in India. Nine districts in India have attained cent per cent financial inclusion index; of which six districts namely Alappuzha, Ernakulam, Kottayam, Pathanamthitta, Thiruvananthapuram, and Thrissur are in Kerala state. It would be advisable to assess the level of financial literacy among the weaker sections of the society like marine fisher households. Since they are less banked, they depend mostly on money lenders. To have meaningful financial inclusion and inclusive growth, financial literacy is the sole solution.

Little understanding of the basic financial concepts makes people ill equipped to make decisions related to financial management. A number of financial literacy programmes has been rolled out under the aegis of Lead Banks of the State. The Financial Literacy Centers established in every Community Development Blocks in Kerala are sponsored by various banks. National Bank of Agriculture and Rural development (NABARD) and Small Industries Development Bank of India (SIDBI) also have trained a number of personnel to impart financial literacy to student communities at higher secondary and graduation levels. Effectiveness of these initiatives has to be assessed by examining the knowledge and awareness of financial products and its details. The present study attempts to assess the financial literacy of marine fisher households in Alappuzha district. These sections of the society are characterised by low and irregular income.

VI. METHODOLOGY AND DATABASE

The present study was conducted based on the primary and secondary data. The secondary data was collected from RBI publications, Lead Bank of Alappuzha district, books, journals, newspapers, and other national and international publications. A few focus group discussions were held with the target group, fisheries officers and bank officials. An interview was administered to collect data from marine fisher households. Population of the study consisted of 27,295 marine fisher households in Alappuzha spread out to nine coastal blocks as per the *Fisheries Statistics* published by Department of Fisheries Kerala-2013 (Department of Fisheries, 2013). Data for the study was collected from 200 marine households located in three coastal blocks, namely, Arthunkal, Ambalappuzha and Arattupuzha. Sample households comprised of 125 BPL households and 75 APL households.

VII. RESULT AND DISCUSSIONS

Retail banking contributes to 14 per cent of the countries' GDP (Srinivan, 2013). Hence financial inclusion is envisioned as a win-win initiative for the financial service providers and the general public, especially the untapped customers residing in the rural villages. Greater the financial literacy, deeper will be the financial service penetration among the people. Financial literacy could be measured by assessing the ability of adults to calculate rate of interest of deposit and credit, level of inflation, risk diversification and awareness level of financial products and services. In the present paper, four variables have been chosen for assessing the financial literacy of marine fisher households:

- a. Awareness of the Rate of Interest on Deposits
- b. Awareness of the Lower Rate of Interest for Loans in Commercial Banks
- c. Familiarity with Banking Transactions
- d. Confidence to Deal with Banking Personnel
- e. Familiarity with Financial Services and Products
- f. Familiarity with the Right Source of Financial Information

A. Awareness of the Rate of Interest on Deposits

Financial inclusion initiatives accompanied by financial literacy helps in equipping the weaker and low-income groups of the society, thereby enabling them to demand required financial services and products from the formal banking institutions. It is important for the fisher households with low and seasonal income to have some savings in formal institutions to keep alive the warm relationship with the banking personnel and to avail other financial products especially credit products. Hence, it is important to assess the awareness level of marine fisher households regarding the rate of interest offered by scheduled commercial banks.

Table 1 indicates that 14.4 per cent of the fisher households under BPL and 16 per cent of the APL households have awareness about the rate of interest offered by scheduled commercial banks for Savings Bank Deposit Account and Fixed Deposit Account. The Chi-Square value for the income category-wise difference in the awareness level of marine fisher households regarding the prevailing rate of interest on deposit account is found to be 0.094.

Table 1: Awareness Level of Marine Fisher Households on Rate of Interest on Deposits

Awareness of the present rate of interest		Income Category of Marine Fisher Households			
		BPL		APL	
		n	%	n	%
Present interest paid by the bank on SB & FD a/c s	Yes	18	14.4	12	16
	No	107	85.6	63	84
χ^2		0.094			
Sig.		0.759			

The value of the Chi-Square is 0.759, which is not significant, indicating the fact that there is no significant difference in the awareness level of the marine fisher households under BPL and APL.

B. Awareness of the Lower Rate of Interest for loans in Commercial Banks

Earlier studies show that marine fisheries sector is dominated by informal financial intermediaries like money lenders and commission agents. It is quite appropriate to know whether the lack of awareness of the rate of interest charged by scheduled commercial banks or the unsuitability of the credit products offered by commercial banks make this sector a

favoured area for informal moneylenders. Table 2 reveals that 80.8 per cent of the marine fisher households under BPL and 84 per cent of the households under APL are aware of the fact that commercial banks charge less rate of interest for loans. The Chi-Square value of 0.325 has been obtained for the awareness of the difference in the rate of interest charged for loan in commercial banks among the marine fisher households. The significance value of Chi-Square is obtained to be 0.568 which is not significant at the 0.05 level, indicating insignificant difference in the awareness level of the marine fisher households under BPL and APL.

Table 2 Awareness Level of Marine Fisher Households on Rate of Interest Charged by Commercial Banks for Credit

Awareness of the interest rate charged by formal banking institutions		Marine Fisher Households			
		BPL		APL	
		n	%	n	%
Formal Banking institutions charge less rate of interest on loans	Yes	101	80.8	63	84
	No	24	19.2	12	16
χ^2		0.325			
Sig.		0.568			

C. Familiarity with Banking Transactions

The district of Alappuzha is reported to have cent per cent financial inclusion as per the CRISIL-Inclusix 2015. It is therefore vital to fathom the level of familiarity of the marine fisher households in the conduct of banking transactions. Table 3 presents the confidence level of marine fisher households in conducting a banking transaction by them. It was found that 68 per cent of the marine fisher households under BPL and 69.3 of the households APL feel confident to conduct banking transaction by

themselves. A chi-Square analysis for the difference in the confidence level of the marine fisher households, by income category, to conduct a banking transaction depicts a Chi-Square value of 0.039, with significance value of 0.844. The significance value of the Chi-Square indicated that there is no significant difference between BPL fisher households and APL fisher households in their confidence level in conducting a banking transaction.

Table 3 Marine Fisher Households' Familiarity with Banking Transactions

Familiarity with banking transactions		Marine Fisher Households by Income Category			
		BPL		APL	
		n	%	n	%
Are you able to complete a financial transaction by yourself	Yes	85	68	52	69.3
	No	40	32	23	30.7
χ^2		0.039			
Sig.		0.844			

D. Confidence to deal with Banking Personnel

Fisher households are more familiar with informal money lenders who are prominent in this sector. Other local institutions like ‘neighborhood groups’ show inhibition in visiting banks and in dealing with banking personnel. Lack of knowledge of the details of the financial products and services, complicated procedures entailed in the banking deals and the sophisticated appearance of the banks itself make the fisher households to seek the help of

someone who is associated with the bank to deal with banking personnel.

An analysis based on the income category of the fisher households regarding the confidence level to deal with the banking personnel showed that there is no significant variation in the confidence level of the fisher households under BPL and APL, as the significant value of Chi-Square obtained to .939, which is not significant at the 0.05 level. It was found that 35.2 per cent of the BPL fisher households and 34.7 per cent of the APL fisher households seek the assistance of others to deal with the banking personnel.

Table 4 Confidence Level of the Marine Fisher Households to Deal with Banking Personnel

Confidence to deal with the banking personnel		Marine Fisher Households by Income Category			
		BPL		APL	
		n	%	n	%
Seek the help of any person who is associated with bank in dealing with the bank	Yes	44	35.2	26	34.7
	No	81	64.8	49	65.3
χ^2		.006			
Sig.		.939			

E. Familiarity with Financial Services and Products

A financially literate person is expected to have awareness about the products and services offered by financial institutions. Awareness of the financial products and services make them to demand the financial services from commercial banks. It is very important to know the level of awareness of the marine fisher households, one of the less privileged sections of the society, regarding the financial products offered by the scheduled commercial banks.

Table 5 depicts the awareness level of marine fisher households regarding the financial products and services offered by commercial banks. The conventional financial products are familiar to all fisher households but the new-generation financial products are very much strange to them. Chi-Square test result showed that there is no significant difference in the awareness level of marine fisher households

regarding the various financial products and services offered by commercial banks as the significant value of Chi-Square is obtained to be 0.249, which is not significant at the 0.05 level. Hence the hypothesis- there is no significant difference in the awareness level of marine fisher households regarding financial products and services offered by commercial banks stands rejected.

Table 5 Awareness of Marine Fisher Households with the Financial Products and Services Offered by Commercial Banks

Financial Products and Services			Marine Fisher Households by Income Category			
			BPL		APL	
			n	%	n	%
Conventional Financial Products & Services	Deposits & Loans	Yes	125	100	75	100.0
		No	0	0	0	0.0
	Collection of Cheques	Yes	125	100	75	100.0
		No	0	0	0	0.0
	Overdraft Facility	Yes	36	28.8	24	32.0
		No	0	0	0	0.0
Insurance	Yes	121	96.8	74	98.7	
	No	4	3.2	1	1.3	
New Generation Financial Products & Services	ATM services	Yes	123	98.4	75	100.0
		No	5	1.6	0	0
	Mobile Banking	Yes	35	28	27	36.0
		No	90	72	48	64.0
	Debit Cards	Yes	33	26.4	28	37.3
		No	92	73.6	47	62.7
	Remittance facility NEFT	Yes	25	20	22	29.3
		No	100	80	53	70.7
	Small Credits –KCC &GCC	Yes	12	9.6	13	17.3
		No	113	90.4	62	82.7
χ^2			12.56			
Sig.			0.249			

F. Familiarity with the Right Source of Financial Information

Knowledge to seek help/financial information from the right source is as important as the knowledge of the financial products and services. Quality and reliability of the information help to take better financial decisions out of the diverse choices available in the financial market. It is said that less financially included sections are over confident regarding the management of personal finance. And so, an attempt has been made to assess the familiarity of marine fisher households with the available formal and informal source of financial information.

Table 6 reveals that BPL fisher households depend mostly on the ‘Personal Experience’ for making financial information as the mean score of this response is 2.98, followed by ‘Friends and Neighbors’. It is significant to note that

fisher households under BPL are more inclined to depend on the informal source of financial information rather than the formal source. A further analysis shows that commercial banks have been ranked as the fifth source by BPL fisher households while APL fisher households ranked fourth. Similar result has been observed in the case of APL fisher households. It can be inferred that marine fisher households are not familiar with formal sources financial information like financial literacy centres, commercial banks, pamphlets distributed by responsible authorities.

Table 6 Source of Information Depended for Financial Information

Sl.No	Source of Financial Information	BPL		APL	
		Mean	Rank	Mean	Rank
1.	Banks	2.81	5	2.91	4
2.	Financial Literacy Centre	1.02	7.5	1.03	7
3.	Matsyafed	2.82	4	2.97	3
4.	Friends&Neighbours	2.96	2	3	1
5.	Advertisement	1.06	6	1.01	8.5
6.	Personal Experience	2.98	1	2.99	2
7.	Money Lenders	2.84	3	2.84	5
8.	Pamphlets	1.02	7.5	2.67	6
9.	Financial Literacy Programmes	1.02	7.5	1.01	8.5
10.	Web Sites	1.02	7.5	1.01	8.5

Table 7 Spearman Rank Correlation of Source of Financial Information Based on Selected Variables

Base Variable	Variables Correlated	Spearman Correlation Coefficient	Sig.
Income Category	BPL and APL	0.891	0.001**

** Significant at the 0.01 level

Table 7 presents the Spearman Rank Correlation for ranking the source of financial information based on certain variable of marine fisher households, for making financial decisions. It reveals that the correlation coefficient for BPL and APL marine fisher households is 0.891, which indicates a significant positive correlation between BPL and APL fisher households. And the significance value of correlation coefficient is found to be 0.001, which is significant at the 0.05 level.

VIII. FINDINGS

The findings of the study are summarized below:

- 1) The analysis shows that 14.4 per cent of the BPL marine fisher households and 16 per cent of the APL marine fisher households are aware of the rate of interest offered by Commercial Banks for various deposit accounts like Savings Deposit Account and Fixed Deposit Account.
- 2) Awareness level of the marine fisher households regarding the rate of interest charged by commercial banks for loans is very high. Around 89 per cent of the BPL fisher households and 84 per cent of the APL fisher households are aware of the fact that credit obtained from formal banking institutions are less compared to the informal sources.
- 3) Sixty eight per cent of the BPL fisher households and 69.3 per cent of the APL households have expressed that they are confident enough to complete a financial transaction with bank without the help of others.
- 4) Analysis undertaken to determine the confidence level of the fisher households to deal with the banking personnel revealed that 35.2 per cent of the BPL fisher households and 34.7 per cent of the APL households seek the assistance of some influential persons to deal with the banking personnel.
- 5) Marine fisher households are well aware of the conventional products and services offered by commercial banks but are unfamiliar with the new-generation financial products and services offered by commercial banks.

- 6) Marine fisher households depend mostly on the informal source namely 'Personal Experience', 'Friends and Neighbours' for seeking financial information rather than the formal sources. Commercial banks have been ranked as the fifth choice by the BPL fisher households while APL households ranked as fourth.

IX. RECOMMENDATIONS

Based on the findings the following recommendations are presented:

- 1) Financial literacy programmes have to be designed with the target groups in mind and close supervision has to be provided till an observable result is achieved.
- 2) Financial literacy programmes have to be conducted in smaller groups considering the nature of the occupation.
- 3) Financial programmes should be organised for different age groups so that financial concepts, financial responsibilities and financial discipline could be instilled in the mind of the youngsters before they begin to earn and spend.

X. CONCLUSION

Financial Inclusion has become an integral part of developmental schemes, plans and policies. Financial inclusion can be escalated through the penetration of financial literacy among the people especially among the low-income and the weaker sections of the society like marine fisher households. A detailed study on the awareness level of the marine fisher households regarding financial products, risks and rewards of these products and ability to conduct banking transactions revealed that financial literacy efforts are yet to reach the target group. This challenge could be addressed only through the systematic and well-structured financial literacy programmes under the supervision of able staff who know the dynamics of fishing industry and the behaviour pattern of the marine fisher households. Financial literacy of the households is inevitable

for the financial stability of the households, which is the smallest unit of the economy. An economy cannot claim its level of development when certain sections of the society lag behind in financial management.

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