CHAPTER 8

SUMMARY OF FINDINGS, RECOMMENDATIONS, CONCLUSIONS AND SCOPE FOR FUTURE STUDIES

8.0 Introduction

Financial literacy skills enable individuals to navigate the financial world, make informed decisions about their money and minimise their chances of being misled on financial matters. Having financial literacy skills is an essential base for both avoiding and solving financial problems, which in turn, are crucial for living a prosperous, healthy and happy life. Financial problems are often the causes for divorce, suicides, mental illness and a variety of other unhappy experiences. Financial hardship can increase isolation, emotional stress, depression and lower self esteem, which in turn can generate or exacerbate marital tensions that lead to divorce and even to suicide. Financial literacy is first and foremost about empowering and educating people so that they are knowledgeable about finance in a way that is relevant to their lives and enables them to use this knowledge to make informed decisions.

Financial literacy plays a pivotal role in today’s complex financial market. It is an essential component of the empowerment of all categories of people as it gives them an understanding of how to manage finances in the real economy in order to avoid unnecessary hardships, excessive debt and possible financial exclusion. Moreover, it enables people to improve their understanding of the financial opportunities that the formal financial market offers to them.
The research study entitled “Financial Literacy of Economically Marginalised People of Kerala” is conducted with the prime objective of measuring the overall financial literacy among economically marginalised people residing in the Kerala State. To better understand the overall financial literacy level of the marginalised people and how they are managing their finances, a survey was conducted by visiting 300 BPL houses randomly taken from 24 urban and rural local self government wards of Alapuzha and Kottayam districts and soliciting information with the help of Interview Schedule from 300 respondents who are either family heads or senior members in the family.

8.1 Objectives of the Study

The General objective of the research is to measure and analyse the level of financial literacy of the marginalised people in the two selected districts of Kerala. The specific objectives are:-

1. To explore the national and international developments in the area of financial literacy.

2. To develop a theoretical base for measuring financial literacy of the marginalised people.

3. To analyse the determinants of the financial literacy of the marginalised people and statistically test the association of these determinants with the key demographic profile of the people under study.

4. To measure the overall financial literacy of economically marginalised people and statistically test the association of overall financial literacy with the key demographic profile of the people under study.
5. To suggest measures to improve financial literacy of the marginalised people of Kerala.

8.2 Methodology

The research study entitled ‘Financial Literacy of Economically Marginalised People of Kerala’ is based on primary data collected by visiting 300 Below Poverty Line houses. The houses were randomly selected from two urban areas and two rural areas of Alapuzha and Kottayam Districts. The data was collected with the help of the interview schedule from 300 household respondents.

Overall financial literacy is the aggregate of the four tiers of financial literacy i.e. saving literacy, spending literacy, borrowing literacy and investment literacy. To frame a standard for measuring and comparing overall financial literacy, only deliberate actions in any one or more given formal areas by the respondents over four tiers of financial literacy are considered. Accordingly a scale is constructed:

1. Poor Financial Literacy- Respondents who have no saving or spending or borrowing or investment in any of the given formal sources.

2. Satisfactory Financial Literacy- Respondents who have either saving or spending or borrowing or investment in any one of the given formal sources.

3. Good Financial Literacy- Respondents who have either saving or spending or borrowing or investment in any two of the given formal sources.
4. Excellent Financial Literacy - Respondents who have either saving or spending or borrowing or investment in three or more of the given formal sources.

The data collected through the surveys were analysed by using the SPSS programme and other manual methods suitable for the study.

8.3 Summary of the Chapters

Chapter 1: Introduction gives a general opening to the concept of financial literacy. The financial sector in India has of late intervened in multifarious dimensions affecting the lives of various sections of the society. With more focus on inclusive growth, the need for financial literacy was never highlighted so much in the past as it is now. There are no serious studies in Kerala relating to the financial literacy of the marginalised people in the context of financial inclusion drive as financial literacy is an essential prerequisite for financial inclusion. The relevance of the study, definitions of financial literacy used by various authorities in their research work, the merits of being a financially literate person and the problems of not having financial literacy etc are explained in this chapter.

Chapter 2: Research Methodology gives the mechanics of the study. It describes the research problem, its relevance and scope of the study. The chapter also enumerates the objectives, the hypotheses, operational concepts and definitions, methodology applied for the study, reference period of the study and the limitations.
Chapter 3: Review of Literature gives the nature of researches on financial literacy both nationally and internationally. A thorough review of 66 previous studies reveals that the literature available on financial literacy centres on consumer financial literacy and the financial capability requirements for sound capital market participation especially in developed nations. A few studies were undertaken by micro finance institutions and academics on the flow of cash of poor people. Since one of the objectives of the study is to present in detail the national and international research in the area of financial literacy, an attempt is made to present the studies on the basis of (i) international studies, (ii) studies in African region (iii) studies in American region (iv) studies in European region (v) studies in Asia and Pacific region, (vi) studies in India, and (vii) studies in Kerala.

Chapter 4: Theoretical Framework of Financial Literacy deals with designing a theoretical framework of financial literacy. Theoretical backgrounds of 84 national and international studies were evaluated to form a base to the present study. The chapter includes the conceptual explanation of finance and financial literacy, definitions of financial literacy, objectives, outcomes, determinants, and a model for measurement of financial literacy.

Chapter 5: Financial Literacy Initiatives presents financial literacy and financial education efforts by governments, central banks and other agencies in a global perspective. Initiatives to promote financial literacy and financial education are seriously undertaken in almost all countries by central banks, international development agencies, international finance companies,
commercial banks, financial corporations, regulatory organisations, non-governmental organisations etc. Financial literacy initiatives from 89 national and international agencies are illustrated in this section which also includes initiatives in India and in the state of Kerala.

**Chapter 6: Brief Notes on Kerala State, Alapuzha and Kottayam Districts**

contains a brief note on Kerala with particular reference to Alapuzha and Kottayam districts. The profile is presented under major headings like brief history, geographical boundaries, major occupation, religious communities, literacy, Below Poverty Line people, financial institutions etc.

**Chapter 7: Financial Literacy of Economically Marginalised People of Kerala-An Empirical Analysis** includes detailed analysis of the primary data obtained through sample survey. The chapter contains key socio-economic profile, numerical ability, general financial knowledge, determinants of financial literacy, measurement of financial literacy and the analysis of association of financial literacy with the key socio-economic profile and the results of the hypotheses tested.

**Chapter 8: Summary of Findings, Conclusions, Suggestions and Scope for Future studies**

**8.4 Major Findings of the Study**

Based on the analysis of data collected from 300 family heads of economically marginalised households, the study arrives at the following findings.
Overall Financial Literacy

• Financial literacy of an individual is identified as multidimensional financial behaviour which is the outcome of financial knowledge and financial action.

• Financial education and training (behaviour change interventions) can promote financial literacy of the marginalised people leading to increased demand for welfare enhancing financial services which ultimately results in financial wellbeing of households -the ultimate objective of inclusive growth.

• Overall financial literacy of the marginalised people is excellent as only 4.7% of the marginalised people are financially excluded.

• Among the 95.3 financially included categories, 39.3% use one formal source, 44% use two formal sources and 12% use three or more formal sources for their financial dealings. This higher percent of financial literacy can be attributed to the presence of Self Help Groups in Kerala and also the highest general literacy level 93.91%.

• There is geographical difference in financial literacy, i.e., urban and rural financial literacy levels are not same.

• Among the four tiers of financial literacy, borrowing literacy is lower than saving, spending and investment literacy.

• Financial literacy of the marginalised people is associated to education and income. This means that upgrading of financial education and family income will result in enhanced financial literacy.

• In families where joint decisions are made regarding financial matters, it is proved that financial literacy is high.
Numerical Ability

- The marginalised people are proficient in arithmetic calculations which are essential for shopping and day to day life.

Financial Decisions

- Financial decisions are taken jointly in majority families.

General Financial Knowledge

- Marginalised people have good General financial knowledge. 87% of the respondents are aware of almost all given banking, capital market and economic terms. Alapuzha district has good financial knowledge (74.2%) compared to Kottayam district (66.1%).

Saving Literacy

- The saving literacy is 89% in Alapuzha and 89.5% in Kottayam indicating more use of formal avenues for savings especially Self help Groups and Post Offices.

- Marginalised people do save, though the purposes may vary. The most preferred saving avenues are Self Help Groups, Post Offices and Commercial Banks

- 60% of the sample saves around 10% of their family income.

- Education and income are positively associated to saving literacy. Educated people use more formal saving avenues.

- Saving literacy and mode of financial decision making in the financial are not associated i.e. level of savings is influenced by other factors.
Spending literacy

• Spending literacy is 96%; only 4% is not using any subsidised pricing facilities offered by Government.

• The spending literacy level and mode of decision making in family are associated.

Borrowing literacy

• Borrowing literacy level of the respondents is 73% indicating that almost \( \frac{1}{3} \) of the respondents do not use any formal sources of borrowing.

• Among the borrowing sources SHGs are more prominent (43%)

• Debt outstanding is disproportionate to the income of the household.

Investment literacy

• Overall investment literacy rate is 83% and most preferred investment is gold.

• Investment literacy and gender of children are associated, i.e., parents with girl children do invest more than others.

• The investment literacy and mode of decision making in the family are associated.

• Insurance as a means of investment is more popular among respondents

Areas of concern

Though the study reveals certain bright signals about the financial flow of the marginalised people of Kerala, there are certain bad signals also.

• The marginalised people have less knowledge about ‘No frill Account’ or Zero balance account which is an important facility offered for marginalised
people by commercial banks. They have slim knowledge about capital market terms, inflation or economic depression.

- Only 32% of the respondents have savings account in commercial banks, though more than 80% of respondents have knowledge of bank accounts.
- Loss of a day’s work is one of the reasons for not having dealings with banks.
- There is a wide saving gap among the marginalised people, they have some savings to meet their emergency needs but they are not able put aside enough funds to meet future financial needs.
- Only half of the marginalised people use subsidised price shops like Maveli store, Supplyco, Neethi store etc.
- Banks fail to meet the credit needs of the poor fully.
- To satisfy the credit needs marginalised people depend on private money lenders.

**Other findings**

- Co-operative banks are not popular among the marginalised people.
- Proximity and convenience are the main reasons for dealings with Self Help Groups.
- The marginalised people borrow money from informal sources mainly for buying consumer durables and also for meeting social expenses.
- Marginalised people borrow money without full knowledge of terms and conditions.
• One third of the respondents are not regular in repayment of borrowed money.
• Financial literacy varies according to religious communities.
• There is gender difference in financial literacy.
• Financial literacy is associated with income i.e. higher the income higher the level of financial literacy.
• Parents with girl children have no higher levels of financial literacy than other parents.

8.5 Summary of Findings

➢ Extensive survey of literature in the area of financial literacy and field study revealed that financial literacy or financial behaviour of the marginalised people is unique in the sense that they save, spend, borrow and invest in their own way even in the presence of smaller, more irregular, and often more unreliable incomes.

➢ Poor people manipulate their savings and borrowings through a wide range of methods of saving up, saving down, and saving through, and they do it frequently and intensively.

➢ At the most formal end are banks, post offices and self help groups and less formal methods included, moneylenders, buying goods on credit, and obtaining wage advances from employers. At the most informal end of the spectrum are loans between family members.

➢ Highest level of financial literacy is found in those marginalised people with comparatively higher income and high educational background and where financial decisions are taken jointly by parents.
Kudumbashree project and similar schemes play a pivotal role in the money management of poor families and in their financial empowerment. The higher level of financial literacy of marginalised families can be attributed to the active involvement of Self Help Groups. This has brought about ‘neighbourhood culture’ among the people leading to more financial safety among participating members.

Poor people invest substantially in the education of their children.

The disproportionate spending on liquors by some of the bread earners in the family is a major concern of the poor families.

Commercial banks have not yet touched the lives of the poor in letter and spirit as proposed by Financial Inclusion Programme of RBI.

8.6 Scope for Further Research

This study clearly shows that financial literacy is a growing priority in all developed and developing countries. The review of past studies and this study points towards a few critical areas for further research in the field.

- A state level financial literacy survey may be conducted by using the model in the study.

- Given the large transaction costs involved in using bank accounts, it is important to explore other alternatives which could improve access to formal finance for excluded individuals.

- The trend and progress of Financial Inclusion and Financial Literacy Centres (FLCC) in Kerala may be studied as it may reveal the impediments to financial inclusion and financial literacy.
The role of Self Help Groups and other NGOs in imparting financial literacy may be studied.

8.7 Recommendations

On the base of findings of the study, observations made during the period of the survey and discussions made with respondents and family members, the following recommendations have been put forward to improve the financial literacy of the people, especially the marginalised.

1. Lord Kelvin, the famous British physicist commented ‘If you cannot measure it, you cannot improve it!’ Include a concise measurement of the financial literacy as a part of national socio-economic surveys like the NSSO and the India Census. The methodology adopted in my work could serve as starting point for the same.

2. Establish an ‘Institute for Financial Literacy’ with the support of all stakeholders in the area especially financial institutions to impart structured training programme on financial literacy on a need basis focusing, as discovered through my study, on imparting borrowing literacy-efficient ways of raising funds, availability of avenues, living within means etc

3. Programs and delivery strategies of the proposed Institute should be oriented towards financial capacity building targeted on specific groups and should be as personalised as possible.

4. Regulations should be passed to mandate every lending institution (Banks, NBFCs, Gold loan NBFCs etc) to educate the marginalised consumer of every other avenues of funds of equivalent or lower cost.
5. Provide holistic, generic and non-commercial financial education to employees in their place of work through accessible resources and seminars delivered by experienced and specially trained professionals.

6. Arrange ‘Finance Behaviour Modification Programmes’ to the marginalised people with the support of Kudumbashree and similar projects.

7. Financial literacy programs should start at school, as students and parents to be educated as early as possible.

8. Methodologies to assess existing financial literacy programmes should be developed.

9. Financial literacy initiatives should be part of the Corporate Social Responsibility (CSR) and the corporate sector should earmark a percentage of annual profit to this cause.

10. Commercial Banks should not mix the financial dealings of the marginalised people with that of high profile customers. A separate department with specially oriented personnel should be in charge of dealings with these people who are untapped treasures at the bottom of the pyramid and who were successfully included by corporate business giants in their business journey.

8.8 Conclusion

Mahatma Gandhi has often quoted that if mankind was to progress and to realize the ideals of equality and brotherhood, it must act on the principle of paying the highest attention to the prime needs of the weakest sections of the
population. Therefore any exercise on economic planning on a national scale would be futile without uplifting these most vulnerable sections of the society in a direct manner. In the ultimate analysis, it is the quality of the human being that has to be raised, refined and consolidated. Everybody should be given the right to earn according to his capacity using just means. Poverty is the manifestation of affluence itself. Mahatma Gandhi said that seven things will destroy us. They are:- wealth without work, pleasure without conscience, knowledge without character, commerce (business) without morality (ethics), science without humanity, religion without sacrifice and politics without principle. In the personal life of an individual, if antidote to these deadly sins is applied, he can lead a happy life which is the ultimate outcome of financial literacy.