SUMMARY, FINDINGS AND CONCLUSION

Introduction

Financial literacy for financial inclusion among low income households are the biggest challenge in present day financial situation. The most target groups are low income households knowledge and also giving financial education.

The creativity in the promotional measures is need of the hour which would help Banks institutions, insurance organizations, National stock exchange and Non Government organization etc. in informing and sensing the users in right fashions, in providing financial education.

Financial literacy is increasingly being recognized in industrialized countries as an important tool for consumers of financial services, including individuals living in low income households. This recognition is the result of the growing data derived from financial literacy interventions and from the growing economic crisis which is shedding light on the negative consequences of uninformed financial decision making by consumers. Consequently, governments have become interested in exploring what policies and practices can be employed to grow the financial literacy of their citizens.

Financial Literacy for Financial Inclusion in India

The successive governments in India have taken up this task since the early 1950s soon after independence. The momentum really gained after 2005 when Reserve Bank of India has given directions and guidelines towards a more practical financial inclusion pathway of which Financial Literacy combined with technology becomes a major aspect. Lending their shoulders are many Banks, MFIs, NGOs, Insurance Companies, technology providers and national and international aid agencies such as United Nations Development Programme (UNDP) and OECD.

The present study is based on initiatives of several studies namely a) Money management b) Debt practice c) saving practice d) Banking habits e) level of awareness on financial inclusion and f) determinants of basic and advance financial literacy. Low income households living in rural and urban area differ in
significant ways. The difference exists in terms of the living conditions, occupation, communication and infrastructure facilities, spending behaviour, selection of bank, holding debt, types of saving and knowledge on basic financial literacy and advance financial literacy.

Hence, the present study, “Assessment of Financial Literacy for Financial Inclusion among Low Income Households” is undertaken, with the following specific objectives;

- To understand the money management practice among selected low income households.
- To analyze debt management practices of the low income households.
- To assess the saving practices and banking practices of low income households.
- To assess the awareness on financial inclusion programmes among sample respondents.
- To examine the financial literacy among low income households.
- To identify the determinants of financial literacy among selected low income households.

The specific hypotheses were tested in the study to measure the financial literacy and determinant of financial literacy.

The study was conducted during the period August 2011 to July 2012, on a sample size of 600 low income households consists of 318 households from the urban area and 282 from rural area of Coimbatore district. The stratified sampling method was followed for the selection of sample respondents. A well structured interview schedule was used to collect data from the selected low income households. In order to analyse the money management of the households mean, standard deviation were used, level of awareness on financial inclusion and socio-economic characteristics, saving habits and financial liabilities of the household were tested with analysis of variance, the determinants of mode of savings used by the respondents, motivation to open bank account, financial liabilities of the respondents, basic financial literacy and advance financial literacy were analysed through chi-square test. To arrived at the determinant of basic and
advance financial literacy knowledge, the Ordinary least square multiple regression model was used.

The main findings emerged out of the study are as follows:

**Profile of the respondents based on their Socio-economic Status**

- The respondents with the age group between 30 and 50 years were predominant among the entire sample respondents. About sixty six percent of total respondents, 58.80 percent of urban respondents and 74.50 percent for rural respondents were in the age group between 30 and 50 years.
- Based on gender, 70.70 percent of total respondents, 66.70 percent of urban respondents and 75.20 percent of rural respondents were male.
- Majority of total respondents (87 percent), 87.20 percent of urban respondents and 86.90 percent for rural respondents were married.
- With regard to educational attainment 74.30 percent of total respondents, 80.50 percent of urban respondents, 67.40 percent of rural respondents were studied up to School level.
- Employment in unorganized sector was found among majority of the total respondents (82.20 percent), 74.20 percent of urban respondents and 91.10 percent of rural respondents.
- Three-fourth of the sample size of urban, rural and total respondents live in nuclear families.
- The average family size of three and four members was prevailing in almost 30 percent of the respondents.
- Among urban respondents, about 35 percent have between one to three dependents in the family, with regard to rural respondents 34.40 percent have two dependents, and in all, about 30 percent have two to four dependents in their families.
- With regard to number of earning members in the family, 52 percent of total respondents, 46.90 percent for urban respondents and 57.80 percent for rural respondents have atleast two earning members in their families.
- Among entire sample, 73.80 percent for total respondents, 73 percent for urban respondents and 74.80 percent for rural respondents were the head of the households.
The financial decision was taken by the respondents themselves as well as joint decision by respondents with their spouse was commonly prevailing among the sample households.

Tenure of housing shows that, 55.50 percent of the total respondents, 56.30 percent of urban respondents and 54.60 percent of rural respondents were living in their own house.

With regard to type of house, the respondents live, 59.20 percent of the total respondents, 64.20 percent of urban respondents and 53.50 percent of rural respondents to living in semi-pucca house.

Majority of the respondents does not have the regular practice of preparing monthly budget.

About 86 percent of total respondents, 76.42 percent of urban respondents and 97.16 percent of rural respondents were the recipient of welfare benefits from Government.

**Money Management**

With regard to urban respondents, 50 percent of them earned monthly income up to ₹5,000, 68.90 percent of the respondents had no contribution to income from family members, 66.35 percent of the respondents to have total monthly household income between ₹5,000 and ₹7,500. 58.81 percent spent between ₹1,000 and ₹3,000 per month for fixed household expenditure, 73.90 percent of the respondents spent between ₹3,001 to ₹5,000 per month for variable expenditure, 62.89 percent of the respondents up to ₹500 per month for discretionary expenditure, 48.74 percent of the respondents spent between ₹5,000 to ₹7,500 per month for total monthly expenditure and 66.04 percent of the respondents were able to save up to ₹1,000 only.

With regard to rural respondents, majority of them earned monthly income between ₹3,000 to ₹5,000. The income contributed by the family members was up to ₹2,000, resulting in total monthly household income between ₹5,000 and ₹10,000. Majority of the households spent for fixed expenditure between ₹1,000 and ₹3,000, for variable expenditure between ₹3,001 and ₹5000 and for discretionary expenditure up to ₹1,000, 63.48 percent of the respondents up to ₹500 per month for discretionary expenditure, 51.71 percent respondents spent between ₹5,000 to ₹7,500 per month for total
monthly expenditure and 44.68 percent of the respondents were able to save up to ₹1,000 only.

- Income contributions of the family members, and the mean income as well as mean expenditure were higher for rural sample households than the urban sample households.

- Debt Practices
  - Burden of financial liabilities exists among, 61.50 percent of total respondents, 66.70 percent of urban respondents and 55.70 percent of rural respondents due to borrowing of money.
  - Purpose of availing was mainly for purchase of house and vehicles for 32 percent of total respondents, 31 percent of urban respondents and 34 percent of rural respondents.
  - Amount of borrowing by 49.32 percent of total respondents, 48.11 percent of the urban respondents and 50.96 percent of rural respondents were up to ₹25,000.
  - The prime mode of borrowing was by pledging jewels and mortgages by 27.37 percent of total respondents, 27 percent of urban respondents and 28 percent of rural respondents.
  - The opinion on borrowing for majority of the respondents was that credit is never good thing and followed by rest of them opined on borrowing credit occasionally necessary.
  - Attitude towards borrowing shows that, among total respondents, 23.83 percent always borrow money, and 20 percent of respondents hardly borrow money. Among urban respondents, 27.36 percent of respondents borrowed money sometime and 23.58 percent borrowed money often. Among rural respondents, 32.11 percent borrowed money sometimes and 31.19 percent borrowed money always.
  - Reason for not borrowings money by the remaining respondents indicates that, 23 percent of total respondents, 30.85 percent of urban respondents and 16.04 percent of rural respondents expressed money was never needed.
  - Majority of the urban respondents incurred debt to meet medical expenses and housing building and vehicles purchase. It signifies the improvement in their standard of living.
Socio-economic and Demographic profile and Financial Liabilities of the Respondents

- The urban respondents who had more debt were characterized by age group between 30 and 50 years, male head of the households, education upto school level, worked in unorganized sector, live in nuclear family with household size of four members, family with two earning members, Joint financial decision taken by both respondents and spouse, lived in own house with semi pucca.
- The rural respondents, with atleast of two dependants and low income family, borrowed money and high income family borrowed money in the presence of three dependents.

Association between Socio-economic and Demographic profile and Financial Liabilities of the Respondents

- With regard to urban sample respondents, gender, family system and type of house, educational attainment and tenure of housing have significant association with their financial liabilities.
- With regard to rural sample respondents, age of the head of the household, gender, marital status of the respondents, family system, household size, number of earning members in the family, status in the family, role in financial decision making, tenure of housing and types of house were highly significant. Educational attainment and number of dependents have significant with their financial liabilities.
- With regard to total sample respondents, educational attainment, family system, household size and tenure of housing, Occupation role of financial decision making have significant association with their financial liabilities.

❖ Bank practices of the respondents
- All the sample respondents have opened saving bank account
- Motivation to open bank account reveals that 66 percent of total respondents, 78 percent of the urban respondents, 52.50 percent of rural respondents opened bank account for borrowing purpose.
• Reasons for selecting bank account were to avail credit related service by 35 percent of total respondents, 38.10 percent of urban respondents and 31.60 percent of rural respondents.

• Source for initial deposit amount to open saving bank account was raised by, 53.70 percent of total respondents, 46.50 percent of urban respondents and 61.70 percent for rural respondents were through money borrowed.

• Majority of the total respondents (72.50 percent), 76.40 percent of urban respondents and 68.10 percent of rural respondents utilised only account transfer facility provided by bank.

• Respondents opinion bank attitude towards low income household showed that, 71 percent of total respondents, 88.70 percent of urban respondents and 51.10 percent of rural respondents felt bank had concern for weaker section and 49 percent of rural respondents attitude was that bank educate customers about banking practices and promote various saving schemes.

Motivation to open saving bank account and Socio-economic and demographic profile

• Respondents in the age group between 30 to 50 years drawn motivation externally to open saving bank account, in case of total respondents (44 percent), of urban respondents 45.60 percent and of rural respondents (42.20 percent).

• Gender-wise differences were noticed between urban respondents with their rural counterpart in motivation to open saving bank account. The urban male respondents (53.46 percent) were inspired from external motivation than the female respondents. Whereas among rural respondents, the male respondents were almost equally motivated by extrinsic (38.30 percent) and intrinsic factors (36.88 percent).

• Higher percent of married respondents were motivated to open account through external motivation among urban (66.89 percent) and rural (47.14 percent) samples.

• The respondents with education attainment upto school were externally motivated, more in urban (96.23 percent) than their rural counterparts (44.33 percent) to start a saving bank account. The rural respondents with graduation were intrinsically motivated.
Extrinsic motivation to open bank account was highly prevailing with the respondents employed in unorganized sector for both urban (58.81 percent) and rural (47.52 percent) respondents.

Based on the monthly income, the respondents earned upto ₹5000 among urban respondents (39.94 percent) were inspired from extrinsic motivation, whereas among rural respondents those who earned up to ₹5,001 to ₹7,500 were almost equally motivated by extrinsic (23.40 percent) and intrinsic (20.92 percent) factors.

On the basis of monthly income contributed by the family members between ₹2,000, 16.67 percent among urban respondents were inspired from extrinsic motivation. Whereas 10.28 percent of rural respondents had intrinsic motivation to open a bank account.

The rural respondents with contribution by the family members above ₹2,000 were almost equally motivated by extrinsic (22.70 percent) and Intrinsic (20.21 percent) factors but it was not in urban.

Monthly household income between ₹5,001 and ₹7,500 among urban respondents (56.29 percent) and (42 percent) for total respondents were inspired extrinsic motivation. Whereas in rural respondents (25.89 percent) with the monthly income become above ₹10,000 were inspired by intrinsic motivation to open saving bank account.

The sample respondents with one or two dependents in their families were motivated extrinsically to open saving bank account.

Majority of the respondents as head of the households were extrinsically motivated, both urban (58.18 percent) and rural (41.13 percent) belonging to sample households.

The respondents role in financial decision making by 39.31 percent of urban sample respondents and 33.33 percent of rural sample respondents and tenure of housing with living in own house both in urban (43.08 percent) were extrinsically motivated whereas rural respondents had both intrinsic (28.37 percent) and extrinsic motivation (26.24 percent) to open saving bank account.

The respondents who lived in semi-pucca house in urban sample (48.11 percent) and in total sample (36.50 percent) were inspired by extrinsic motivation whereas in rural (30.14 percent) were intrinsically motivated.
Association between motivation to open saving bank account and socio-economic and demographic profile

- Among urban sample respondents, the motivation to open bank account were significantly associated with such as monthly household income, household size, number of earning members and tenure of housing and income contributed by the family members and earned by respondents.
- With regard to rural sample respondents, age, monthly household income, family system, number of dependents, number of earning members respondents, role of financial decision making and types of house they live in, tenure of housing and household size were associated significantly with motivation to open saving bank account.
- With regard to total sample respondents, monthly income of the respondents, monthly income the respondents, number of dependents, role in financial decision making, tenure of housing and types of house were highly significant. Education attainment and family system were significant.
- In order to motivate the respondents to open bank account and their socio-economic status condition need to be improved unless all the effort made to provide financial education will go in vain.

 Saving Practice of the Respondents
  - The average propensity to save for urban sample household was 0.16, the rural household was 0.01 and for all the respondents was 0.07.
  - With regard to Channels of saving, 89.90 percent of the urban respondents, 61.80 percent of the total respondents saved money through informal sources of savings and saved regularly. The purpose of saving was to spend later and to get small loans with low rate of interest. Whereas among rural respondents, 50.40 percent saved money through informal mode and rest 30.10 percent of the respondents saved in formal channel and were also occasional savers who saved for purpose of spending later.
  - Regarding main obstacles for saving, 83 percent of urban respondents, 58.90 percent of rural respondents and 71.70 percent of total respondents felt that inflation is main obstacle of save
Mode of saving and socio-economic and demographic profile of the respondents.

Majority of the urban respondents saved through informal channel across all level of socio-economic status because formal institutions are still neglected for the affordability challenges that formal accounts present (fees, minimum balances and costs of transport) (Johannesburg, 2014). Whereas the rural sample respondents saved through formal channel because of providing saving opportunity through direct correspondents who disseminate information about saving schemes.

Association between mode of saving and socio-economic and Demographic profile of the respondents

- With regard to urban sample respondents, modes of savings were significantly associated with those variables, such as educational attainment, income of the respondents and presences of dependents were highly significant. Income contributed by the family members and monthly total income were significant.

- With regard to rural sample respondents, monthly income contributed by family members, family system, household size, number of earning members, family status, respondents role of financial decision making and types of house were highly significant. Age of the head of the household, marital status of the respondents, presence of dependent, and tenure of housing were significant.

- With regard to total sample respondents who lived in different types of housing were highly significant. Age of the head of the households, marital status, educational attainment, occupation of the respondents, monthly income contributed by the family members and monthly income the respondent, total monthly household income, family system, household size, presence of dependents, number of earning members, status in the family, role in financial decision making and tenure of housing were highly significant. Types of housing are significant.
• In case of the urban respondents, the rural respondents and total respondents, the modes of saving were associated with number of dependents, resulted as the highly significant variables.

❖ Awareness on Financial Inclusion programmes

Low to moderate awareness was prevailing among the entire sample respondents as to the Government of India initiated programmes for financial inclusion such as No frill account scheme, Kisan credit card scheme, General purpose credit card and Self Help group.

The hindering factor for successful financial inclusion among urban low income household is the rental charges paid for houses. By building low cost township, the weaker section of the people migrating cities for employment purpose and for those who live in urban areas could be provided with concessional or nil rental charges would be beneficial.

Association between Awareness on Financial Inclusion Schemes and Socio-economic and demographic profile, Saving practices and Financial Liabilities of the Respondents

❖ Association between respondents’ awareness on financial inclusion programme and socio economic and demographic profile was tested.

  • With respect to urban respondents' highly significant association found under housing tenure, with respect to those who live in rental houses, live with parents and other arrangement and also those who met with financial liabilities for medical expenses. More awareness noted with respect to families with more number of dependents and also with those who live in Kuchha house. Awareness on financial inclusion of rural low income households.

  • The rural respondents' awareness and financial inclusion were highly associated with the more number of dependents in the family, role played in financial decision making by respondents and their consultation with spouse and other family members. With large family sizes, the respondents who were married and separated were also having more awareness towards financial inclusion schemes.
• Of the total respondents, more awareness on financial inclusion noted with those respondents who have large family size, more dependents, live in paid accommodation and kuchha house. The respondents who had taken loans to meet medical expenses, basic needs and home loans and occasional savers were also have significant awareness of the total respondents. The attitude of credit is occasionally necessary were also made the respondents significantly awareness of financial inclusion schemes.

❖ Association between respondents’ awareness on financial inclusion programme and financial liabilities.

• Borrowing by the respondents had association with respondents’ awareness on financial inclusion schemes. Purpose of borrowing made respondents highly aware of financial inclusion schemes among all the respondents.

• The association between respondents’ awareness on financial inclusion programme and financial liabilities was tested.

❖ Association between respondents awareness on financial inclusion programme and Saving practices.

• Due to types of saving, a high awareness was prevailing about financial inclusion schemes among rural respondents and total respondents about financial inclusion schemes.

❖ Financial Literacy

✓ Measurement of Basic financial literacy

The respondents were asked to answer the question as revealing their understanding of basic aspect of financial literacy.

• With regard to the question on simple interest, 73.90 percent of urban respondents, 60.10 percent of rural respondents and 86.80 of total respondents were answered correctly.
• The compound interest was answered correctly by 72.30 percent of urban respondents, 56.40 percent of rural respondents and 64.80 percent of total respondents.
• Effect of inflation was answered correctly by 54.70 percent of urban respondents, 87.60 percent of rural respondents and 70.20 percent of total respondents.
• Respondents answer on the concept of time discounting reveals that, 57.90 percent of urban respondents were answered correctly, whereas 61 percent of rural respondents and 51 percent of total respondents were answered incorrectly.
• Money illusion shows that 75.50 percent of urban respondents, 79.10 percent of rural respondents and 77.20 percent of total respondents were answered incorrectly.

**Basic financial literacy and socio-economic profile of the respondents**

• Majority of the respondents had medium knowledge of basic financial literacy across all levels of socio-economic status among urban respondents. High and medium levels understanding of basic financial literacy knowledge was prevailing among rural respondents.

**Association between basic financial literacy and socio-economic profile of the respondents**

• Association between basic financial literacy and socio economic profile of urban respondents, income of the respondents, income contributed by the family members and respondents' role in financial decision making were significantly associated.
• With regard to rural sample respondents, gender, marital status, education qualification, income earned by the respondents, income contributed by the family members, total monthly income, family system, household size, number of dependents, number of earning members, respondents role in financial decision making in the family had highly significant association with basic financial literacy. Age of the head of the households and occupation were significantly associated.
• With regard to total sample respondents, age of the respondent, education attainment, income of the respondents, income contributed by the family members, total monthly income, household size, number of dependents, number of earning members, status of the respondents, housing tenure, type of house and respondents role in financial decision making in the family were highly significant. Gender, marital status and family system were significant associated. In all, income earned by the respondents, income contributed by the family members and role of financial decision making were significant by associated with basic financial literacy.

Determinants of basic financial literacy

• With regard to the determinants of basic financial literacy, eighteen independent variables altogether influenced the basic financial literacy knowledge of the urban households up to 13 percent, for rural households 39.40 percent and for all the households considered together 25 percent only.

• The low income households lack basic financial literacy knowledge. The basic financial education is the pre-requisite for financial inclusion among low income households.

• The low R square value for urban respondents was because of the other independent variables beyond the scope of the study such as lifestyle.

• The financial borrowing resulted as the prime determinant of basic financial knowledge for urban and also for rural respondents. With regard to spending pattern, the respondents spend more than they earn. So, thereby carry debt commitments.

• Comparatively, they spend more on discretionary expenses at the cost of financial security of their own and their family.

• In all, house ownership and small family size were also highly supporting variable for basic financial literacy among low income households.

✓ Measurement of Advance Financial literacy

The respondents were asked to answer the questions revealing their understanding on each aspect of advance financial literacy.
Regarding stock market function, 63.20 percent of the total respondents, 49.30 percent for rural respondents and 47.80 percent of the respondents were answered correctly.

Stock ownership was answered correctly by 44.70 percent of total respondents, 53.50 percent of urban respondents and 76.20 percent of rural respondents.

Investments in mutual funds were answered incorrectly by 80.20 percent of total respondents, 77 percent of urban respondents and 83 percent of rural respondents were answered incorrectly.

Debt securities and debenture was answered incorrectly by 74.70 percent of total respondents, 74.10 percent of urban respondents and 74.70 percent of rural respondents.

Return on investment was answered incorrectly by 78.70 percent of total respondents, 70.90 percent of urban respondents and 85.50 percent of rural respondents.

Regarding growth phenomenon in investment, 83.70 percent of total respondents, 86.80 percent of urban respondents and 80.10 percent of rural respondents were answered, incorrectly.

Inherent risk in investment was answered incorrectly by 77.80 percent of total respondents, 84.90 percent of urban respondents and 69.90 percent of rural respondents.

Disposal of securities was answered correctly by 79.70 percent of total respondents, 86.50 percent of urban respondents and 71.60 percent of rural respondents.

Risk bearing relating to investment decision was answered incorrectly by 61.82 percent of total respondents, 62.90 percent of urban respondents and 58.50 percent of rural respondents.

Risk aversion and risk management in investment were answered incorrectly by 90.20 percent of total respondents, 91.50 percent of urban respondents and 88.70 percent of rural respondents.

Fluctuation in return on investment was answered incorrectly by 94.70 percent of total respondents, 95.60 percent of urban respondents and 93.60 percent of rural respondents.
Advance financial literacy and socio-economic profile of the respondents

Majority of the respondents had medium knowledge of advance financial literacy, across all socio-economic profile.

Association between Advance financial literacy and socio-economic profile

• The advance financial literacy knowledge of urban respondents were associated with the respondents occupation, number of dependents and tenure of housing.
• Raise in the level of occupation position, less number of dependents and own out right, house ownership would result in financial comfort of urban respondents and would ultimately result in acquiring of advance financial literacy through their investment.
• With respect to the rural respondents and total respondents the knowledge on advance financial literacy were associated with education attainment of the respondents, income earned, income contributed by family members, number of earning members in the family, family system adopted, number of dependents, role in financial decision making and the type of house they live in.
• In order to achieve advance financial literacy knowledge of the respondents’ socio-economic condition need to be improved.
• Determinants of advance financial literacy based on nineteen variables taken together influenced only 12.30 percent in urban low income households, 36.80 percent in rural low income households and 11.50 percent in entire the low income sample households.
• The advance financial literacy education is the prerequisite for financial inclusion for low income households in order to channelize their saving into productive investment.
• The independent variables such as basic financial literacy, the male headed household and regularity of saving have significant influence on the advance financial literacy knowledge of the entire sample.
• The welfare benefit received from the Government is the prime determinant of advance financial literacy among urban households.
Suggestion and Recommendation

Based on the findings, the suggestion made to the policy makers and stakeholders to initiate financial literacy for financial inclusion among low income households. The suggestions are based on the conditions present in the research area during the study period. The people belongs to low income households could achieve financial inclusion through efficient money management, debt practices, banking habits, saving practices, awareness on various financial inclusion schemes and by acquiring basic financial literacy and advance financial literacy.

➢ Money management

• The Government of India, Reserve Bank of India, insurance, National Stock Exchange, other banks and like private financial institutions to initiate financial literacy for financial inclusion programs among low income households in urban and rural segments.
• The urban respondents spent less and save more than rural respondents due to fluctuation of income and inflation. Urban respondents need self occupation for improving their household income.
• Government should pay attention to incorporate into the curriculum key issues related to money management.
• Introduction of family workshop session on money management that would encourage participants to bring their adolescent children and adult household members.
• This family session would allow other members of the participants’ household to learn about basic principles of personal financial management and to better understand their role in family finances and how they can contribute to the participants efforts to budget, manage expenses, and save.
• With regard to rural sample respondents, they carry debt commitment. Creating awareness among rural population about budget preparation, money management and saving practice. Proper education at frequent intervals to be conducted about money management relating to how to prepare and follow the budget, how to reduce the expenditure and to save more.
To reduce indebtedness among low income households, the Government of India should consider the following points:

- Both urban and rural respondents are borrowing money by jewel loan and mortgage loan through both bank and mainly from money lenders.
- The respondents depend more on money lenders and friends but less on SHG loan. The loan procedure to be made easy to avail monetary support for starting small and petty business for improving their life.
- In order to cater to the needs, both urban, rural respondents Government should pay attention to facilitate homeownership by building low cost houses.
- Conduct Frequent Programmes on advantages of formal way of borrowing and disadvantages of informal way of borrowing. Bankers create mutual relationship and give the clarity about various product of borrowing.
- School and College curriculum development should incorporate discussion on formal financial networks, providing participants a forum for considering the implications of borrowing and lending money not only for personal finances but also for personal relationships. Household need mechanisms, products and facilities for coverage under the financial systems.
- The low income households to be provided with debt counseling session in order to prevent future problems. Need for training on basic budgeting and money management that they make regular repayment of existing loans and do not apply for additional exist.
- The members to be trained to borrow loan except for business, purposes when appropriate.

### Banking Practices

- RBI should give special attention to motivate for maintaince of saving bank account among low income households.
- Maintenance of bank account not only used for credit related facilities but mainly encourage the clients to improve their saving habit and to avoid informal saving.
• Local language enabled voice guided systems. Issue a printed slip as proof of transaction, should work in harsh and diverse rural environments, easy integration into existing Core Banking Systems, Save on Branch establishment cost, should facilitate operation by ordinary villagers through BCs and ability to extend other services namely, cross selling.

• Develop mechanism to allow for frequent and small savings and withdrawals.

• Develop, deposit products based on collection of money on weekly or monthly basis.

• Keeping in view the seasonality of income-weekly collection schemes could be promoted.

• Develop purpose centric saving products for medium and long term financial needs.

• Door-step or work place use of bank service through technology so that depositors need not travel for depositing money/withdrawal more than a kilometer.

• Use of technology for spot collection and withdrawal of money, awareness and education on financial services.

• In order to help rural respondents Bank would have take steps to reduce the legal procedures and insistence collateral, while lending.

• The bank may adopt a policy assessing the genuine requirement of socially excluded group and cover all the need of small and petty borrower instead of providing a single loan only.

• The villages should be integrated into existing core banking system through business correspondents. Business correspondents need to be appointed from the same region or village who shall be familiar person in that region. Person in locality, as Business correspondents need to be prudent and honest person.

➢ Saving Practices

• Awareness campaigns would be useful in promoting savings. Banks should be promote the poor with highlight on formal banking but not as institution for borrowing only.
To increase usage, products must be designed with add-on features such as reminders, and basic literacy about the products features.

Know Your Customer (KYC) guidelines might accommodate a larger section of the population who do not have the required documents.

The savings device to be flexible enough to accommodate the unsteady and varied savings preferences.

Providing flexible formal savings products with the use of technology can help increase take-up and usage of these products.

Since all the respondents own mobile phones linking the recent banking transactions with the mobile phone, they own would expand the usage of banking system by low income households.

Need for educating low income households about the importance of precautionary saving and retirement saving through formal channels.

The incentives under Section 80c of the Income tax Act on saving and deduction applicable on repayment of housing loan are unfortunately not utilized by the low income households. The Government machinery shall incorporate such issues advice appropriate incentives applicable to low income households.

Level of awareness on financial Inclusion schemes

In order to cater to the needs of the urban respondents, Government should give special attention to financial schemes as it is not properly reached to huge urban low income population.

Proper training to the agent, frequent inspection to avoid for fraud etc. One essential to create a awareness and provide education on financial services.

In order to avoid in delay loan sanction and reduce the procedure, use of technology for spot collection and withdrawal of money, could be beneficial.

Mobile financial services could be implemented on market in rural areas.

Promotion of Self Help Groups and linkage with banks.

Opportunity for study and earning through apprenticeship training

Insurance to cater to old age, survival and disability of low income people.

Encouraged to bring all the family members under medical insurance net.
Financial self discipline is the essential habit developed while young, combined with limited understanding of money management, could endorse into the future (Hira, 2002)

Financial Literacy

The policies of Government of India to have Focus on basic and advance financial literacy.

- With regard to both urban and rural respondents knowledge on basic financial literacy like simple and compound interest, inflation, money illusion and time discounting were low. Improving basic literacy would be the stepping stone to improve knowledge on advance financial literacy.
- The urban sample respondents have medium and high knowledge on basic financial literacy. But in advance financial literacy knowledge was low to medium. SEBI’s initiatives to organise frequent program and education would help low income households.
- NSE need to provide regular education and improve their advance finance literacy on like stock, bonds and mutual funds etc. Proper guidance on calculating rate of interest will help to reduce depends on informal saving (chits and money lenders) and reduce borrowing.

Conclusion

The benefits of financial literacy are not limited up to an individual or family level, but to the societal and macroeconomic level too. Household saving is an important factor for economic growth of the country. In India, one-third of the population are low income household and contribution of these particular population is very much need for economic development. Most of the low income households hold debt and also open saving account for credit relating purpose only. Financial borrowing resulted as the prime determinant factor of basic financial literacy in both urban and rural low income households. The basic financial literacy and the welfare benefit received from the Government were the prime determinant factors of advance financial literacy in rural households. Both urban and rural low income households need to be educated for numeracy, compound interest, effect on inflation and time value of money and money
illusion, as these knowledge would be of more help to improve their standard of living and saving habit, reduce informal way of lending and to promote long term bank deposit. For effective financial inclusion, the Government, NGOs and other financial institution need to pay special attention in imparting and improving basic financial literacy knowledge as it is stepping stone for improving advance literacy knowledge. The idea of promoting short term saving into long term saving among low income households for effective financial inclusion and sustainable development is possible. The two sphere of policy interest existing today are the main stream finance for upper income population and personal finance for low income population shall be brought together by improving financial capabilities of low income households through steady inflow of income, financial education and financial discipline.

**Scope for Future Research**

- Human capital and retirement saving among low income households.
- Financial Capability and adequacy among low income households.
- Access to financial instrument among low income households
- Technology adoption by low income households in utilization of financial services.
- Mobile Technology for financial service to low income households.
- Evaluating scope for incorporating mandatory financial education courses into public programs.
- Financial education as an investment of public and private resources for low income households.