

Financial Awareness in Rural Areas

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ABSTRACT

Financial Awareness means to understand basic financial concepts and possess the knowledge and skills necessary to make informed and effective financial planning, decisions using available financial resources. It's about knowing how to make, spend, invest and save money. It is the awareness to control your finances well by making optimum use of available financial products and resources to give you maximum benefits. It plays a vital role in economic development of a country. It is surprising to know that the financial awareness rate in India lags far behind other countries. According to a global survey, India is home to about 20% of the world's population; however, 76% of its adult population is not even aware of basic financial concepts. The survey reports that the importance of financial awareness is low in India as compared to the rest of the world. Hence, the conduct of financial awareness education and program by the Govt. Hence this study conducts the way to improve the awareness about financial awareness in rural areas.

Key Words : Financial Awareness Rural India, Investment

INTRODUCTION

Financial awareness means to understand how money works in business and personal life. Financial awareness supports about how money is made, spent and saved. These awareness helps to take decisions in investment, spend and save money. This applies to both individuals and organizations. Individuals must be able to balance a checkbook, understand personal income taxes, and understand the concept of budgeting in order to make wise decisions with money. These skills are extremely important; Yet, many individuals lack this basic knowledge and as a result are unable to meet their daily expenses. Lack of knowledge about financial awareness can lead to poor financial decisions that can have a serious impact on your financial well-being. So, it is high time that we understand our finances well and do better financial planning and investments for a smooth financial life (Ambarkhane *et al.*, 2016; Chakrabarty, 2013).

This ensures that financial planning is prioritized and that a formal conversation between couples is not just an

argument over going over budget and spending too much. In a family, both in India and abroad, financial planning should meet the needs of the earning members, dependents especially children. Financial planning basics, any financial planner or financial planning tool involves ensuring that your personal as well as the financial future of your family including your child or children is secure. According to RBI 2022, awareness of Rural Areas is moderate. Therefore significant work needs to be done to increase understanding about financial awareness among all (Greeta, 2017; Rastogi and Ragabiruntha, 2018).

While saving, investing, wealth creation and debt reduction are at the heart of a good financial plan, you need to track growth, invest early and manage your finances. You can manage your finances individually or by using the services of a financial planner. The key is to make continuous financial learning and put that knowledge to work for you. And most importantly, inculcating financial awareness at the earliest is the need of the hour. The younger you are, the richer you are

when it comes to investing and prioritizing the fundamentals of financial planning. The mantra is “Invest early, invest well” after all! Financial awareness should be a part of school and college curriculum. A wealthier person means a healthier economy, which is good for everyone (<http://www.rbi.org.in/scripts/Annual Report Publications>; kurukshetra@gmail.com; yojanahindi@gmail.com).

Objectives of the study:

- To highlight the consequences of low level of financial awareness.
- To suggest the opinion about increasing the financial awareness in Rural area.

METHODOLOGY

Explanatory Research Method is used in this study. This study is prepared on the basis of a primary survey of Chitrakoot District (that is chosen purposively) using multistage proportionate random sampling technique. Sample size is 100.

RESULTS AND DISCUSSION

36-42 years age respondents are 30.50% and 25.25% respondents are 42 or above years old. It means near about 56% respondents are above the 36 years of age. 18-24 years age respondents are 17.25% and 15.50% respondents are 30-36 years age (Fig. 1).

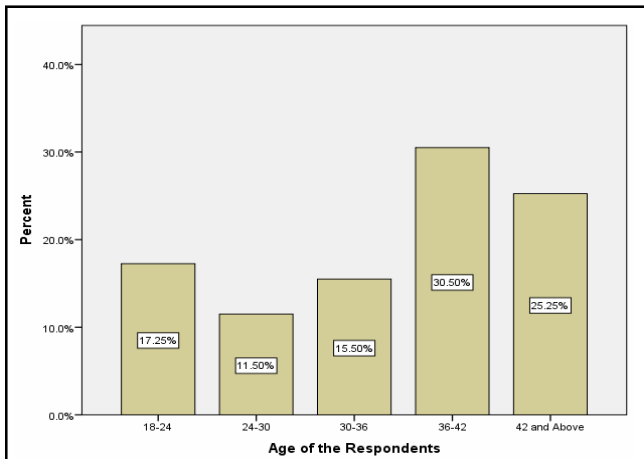


Fig. 1 : Age of the Respondents

76.25% respondents are married. It means they are depend on their husband and families members (Fig. 2).

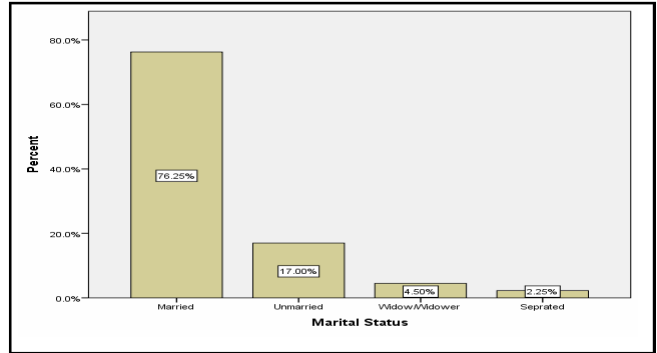


Fig. 2 : Marital Status of the Rtespondents

58% are graduate respondents and 27.75% respondents are post graduate. Near about 14% respondents are up-to intermediate or laying low education (Fig. 3).

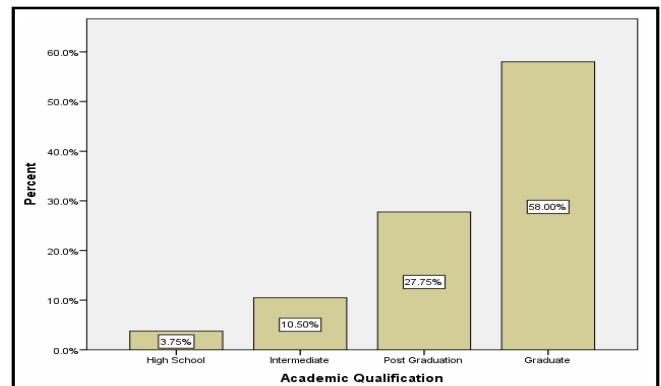


Fig. 3 : Academic Qualification of the Rtespondents

They open it in Banks (32%) and post office (20.50). 13% have own account that are opened in digital form. It shows they prefer banks rather than other mode (Fig. 4).

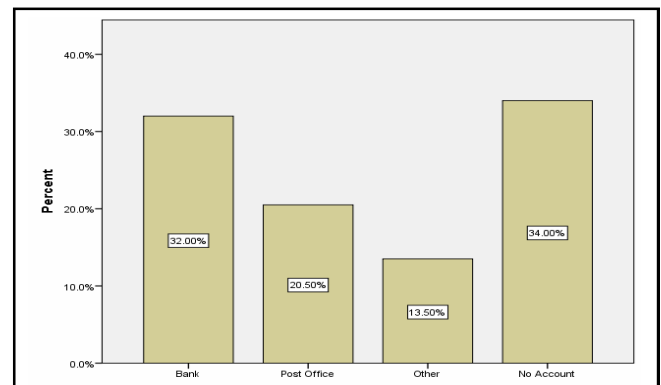


Fig. 4 : Name of Institution in which Financial Account

26.75% respondents never use debit card for transaction. 42% are used sometimes but 31.25% always used debit card for transaction (Fig. 5).

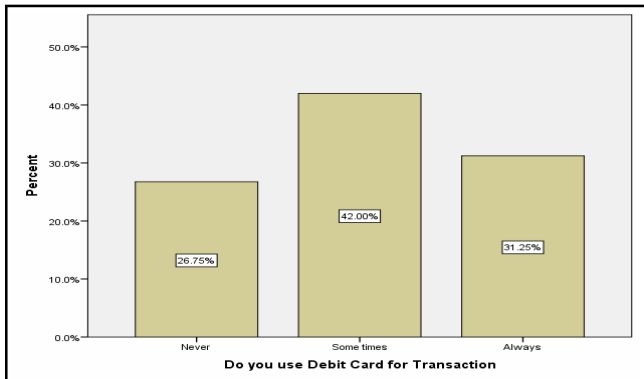


Fig. 5 : Using Debit Card for Transaction

31.75% respondents never use credit card for transaction. 39.50% are used sometimes but 28.75% always used credit card for transaction (Fig. 6).

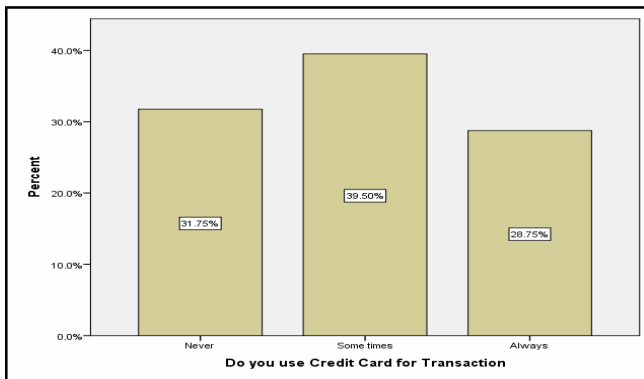


Fig. 6 : Using Credit Card for Transaction

29.50% respondents never use E-wallet for transaction. 43% are used sometimes but 27.50% always used E-wallet for transaction (Fig. 7).

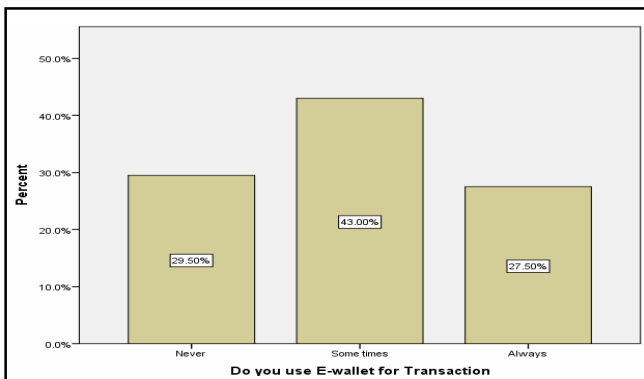


Fig. 7 : Using E-Wallet for Transaction

31.75% respondents never use net banking for transaction. 39.50% are used sometimes but 28.75% always used net banking for transaction (Fig. 8).

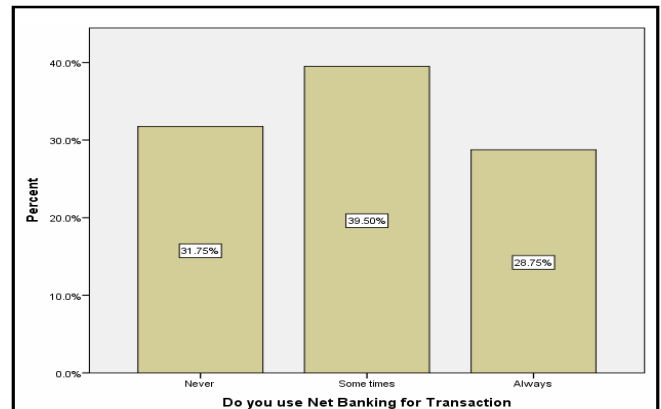


Fig. 8 : Using Net Banking for Transaction

29.50% respondents never use mobile banking for transaction. 43% are used sometimes but 27.50% always used mobile banking for transaction (Fig. 9).

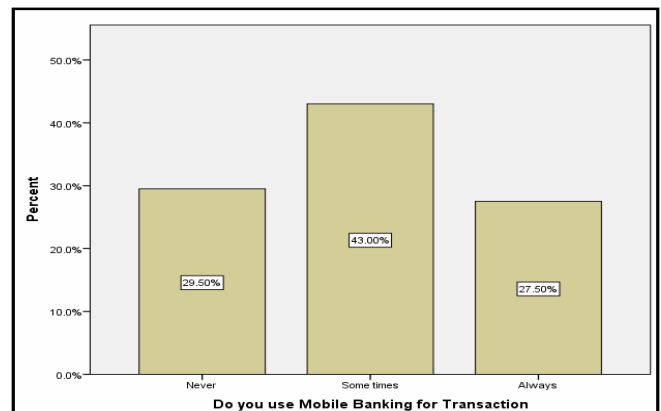


Fig. 9 : Using Mobile Banking for Transaction

38% to 43% respondents, digital/semi digital services like Debit card, credit card, E-wallet, Net Banking, Mobile Banking (either having own or having husband/family members) is used for transaction at sometimes. 27% to 32% respondents are using it always for transaction but near about one third respondents are not using these digital facilities for transaction. It also shows that digital financial literacy is very low in rural area of Mau tehsil. It is also tested by one sample t-test in next chapter.

Financial awareness can be increase through increasing the accessibility of financial resources among the consumers. It can be easily increased through digital

Table 1 : Utilization of Digital Financial Facilities

Particulars	Never	Sometimes	Always
Digital Financial Facilities using for transfer money	24.50%	47%	20.50%
Digital Financial Facilities using for purchase item	26.25%	49.75%	24%
Digital Financial Facilities using for transportation	25%	48.25%	26.75%
Digital Financial Facilities using for pay bill	23.50%	47%	21.50%
Digital Financial Facilities using for recharge mobile	26.25%	45.50%	28.25%
Digital Financial Facilities using for taking loan	25.25%	49.75%	25%

mode. Therefore many financial facilities are available in digital mode like Net banking, Mobile Banking, E-wallet etc. But it should be used for various purpose like taking loan, insurance, for paying EMI, bills etc. 47% respondents use digital financial facilities sometimes for transfer money. 28.50% respondents use digital financial facilities as always for transfer money. 49.75% respondents use digital financial facilities sometimes for purchase item. 24% respondents use digital financial facilities as always for purchase item. 48.25% respondents use digital financial facilities sometimes for transportation. 26.75% respondents use digital financial facilities as always for transportation. 47% respondents use digital financial facilities sometimes for pay bills. 28.50% respondents use digital financial facilities as always for pay bills. 45.50% respondents use digital financial facilities sometimes for recharge mobile. 28.25% respondents use digital financial facilities as always for recharge mobile. 49.75% respondents use digital financial facilities sometimes for taking loan. 24% respondents use digital financial facilities as always for taking loan. 48.25% respondents use digital financial facilities sometimes for taking insurance. 26.75% respondents use digital financial facilities as always for taking insurance (Table 1).

This picture shows that only one third respondents using Digital Financial Facilities always. Two third respondents use it either sometimes or never. It shows that financial awareness is very low till now in rural area of Chitrakoot District.

Low level of financial awareness leads to exploitation of people by traditional moneylenders and unauthorized chit funds and all. Moreover, it will badly affect the entire financial system of the country. Following are the consequences of low level of financial awareness.

- The family is not familiar with the functioning of the bank. So that it can be used to hoard cash at home or invest in other stores of value such as gold, which can give unattractive returns.

- Financial market participation may be limited by lack of financial awareness.

- Financial awareness leads to investment in illiquid instruments which charge substantial fees for withdrawal.

- A borrower unable to truly understand the terms of the loan may end up borrowing too much, putting himself at risk of defaulting on payments and potentially incurring substantial penalties.

- People may be cheated by unauthorized chit companies and other institutions due to lack of awareness about banking and financial matters.

How to improve financial awareness of rural area:

- It should understand basic financial concepts like compound interest, credit score, mutual funds etc.

- It is capable of taking effective financial decisions

- It knows the best ways to generate cash flows.

- It is capable of effective financial planning

- To manage your personal finance well

- It is aware of the most profitable saving techniques

- I save enough for your rainy days

- It knows the best investment options to get maximum profit

- It should be the solution to your financial problems

Conclusions and Suggestions :

It concluded that achieving financial awareness involves learning budgeting skills, the ability to track spending, learning techniques for paying off debt, and planning effectively for retirement. With the advent of the global economic crisis, the need for financial awareness has become more apparent. Presently, some organizations in India are working in the field of financial awareness as well as literacy.

- **RBI:** Reserve Bank of India has an active role in the field of financial awareness in India. The main focus of RBI remains on financial inclusion and financial awareness. RBI has directed that

public and private banks should aggressively promote financial inclusion and financial awareness campaigns across the country.

- **SEBI:** SEBI runs the awareness program through its department of National Institute of Securities Markets. Securities Exchange Board of India has the responsibility of imparting financial education to various target segments like school students, college students, working executives, middle income group, housewives, retired workers, self-help groups etc. SEBI has appointed resource persons listed all over India for the purpose of financial education to these target groups.
- **MCA:** Ministry of Corporate Affairs has constituted a separate fund called Investor Education and Protection Fund. With this fund, they run awareness programs across the country. However, MCA's focus is primarily on more accessible adult programs consisting of investor awareness campaigns.
- **Stock Exchanges:** NSE, BSE, MCSX and others also have programs on investor awareness and issue related to financial awareness regularly. These organizations are not really focusing on financial awareness but on increasing public participation in stock markets.
- **IRDA:** Insurance Regulatory and Development Authority has taken various initiatives in the areas

of financial awareness. They usually organize awareness programs on television and radio. It contains simple messages about the rights and duties of the policy holders, channels available for dispute redressal, etc.

- **PFRDA (Initiative on Financial Education):** Individual Fund Regulatory and Development Authority, India's newest regulator is engaged in spreading the social security message to the masses.

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