
AN ENQUIRY INTO THE FINANCIAL LITERACY: EVIDENCE FROM RURAL TRIBAL POPULATION OF TRIPURA

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Abstract

The role played by governments and employers in managing investments on behalf of An individual has shrunk significantly in the recent past as a result of changes in the social support structures across the world. Having financial literacy skills is an essential basis for both avoiding and solving financial problems which in turn are vital to living a prosperous, healthy and happy life. This study makes an attempt to assess the financial literacy among various rural tribes in the state of Tripura. The study used globally recognized OECD questionnaire survey for measuring financial literacy and collected 362 data sample from 4 tribal dominant district of Tripura. The finding of the study reveals low level of financial literacy among rural tribal. The results also suggest that level of financial literacy varies significantly among respondents based on various demographic and socio-economic factors.

Keywords: Financial Literacy, Financial Knowledge, Financial Behaviors, Financial Attitude, Rural Tribas

Introduction

Do you think you need to have more money (what you have, never seem enough)? Financial literacy refers to the ability to make informed judgments and to take effective decisions regarding the use and management of money and helps in avoiding the distress in financial matters. A financially literate population means a society that are more empowered and in control of their financial lives. One of the most globally accepted and popular definition of financial literacy has defined by Organization for Economic Co-operation and Development (OECD) as "a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual well being" Financial literacy is directly related to the well being of individuals. Previous research suggests that those with low levels of financial literacy, faces problems with issues relating to personal finance such as savings, borrowings, investments, retirement planning etc.

In recent years, developed and emerging countries and economies have become increasingly concerned about the level of financial literacy of their population. Research has shown that levels of financial literacy worldwide are unacceptably low as measured by various studies including OECD survey carried out across 13 countries. In India, the level of financial literacy is low in comparison to global standard, according to some studies such as the VISA International Financial Literacy Barometer 2012. Developing countries have much less financially literate population as compared to developed countries. People find it difficult to take decisions regarding personal finance issues confidently and often make mistakes (Mitchell 2011, Poterba et al. 2007).

Over the recent years, financial landscape has changed considerably in our country. It has become complex over the past few years with the introduction of many new financial products. In order to understand risk and return associated with these products, a minimum level of financial literacy is a must.

The first decade of the twenty-first century has seen a universal recognition for spreading financial literacy among people. The concept of improving financial literacy is considered as a national project in many developing and developed countries. The Government of India through its various agencies like RBI, SEBI, NABARD, SBI etc have been trying to give financial literacy and financial education to its citizen in the last few years. A big improvement in financial knowledge of individuals is necessary. This is possible with appropriate financial education programs targeted at right people at right time. For financial education to be effective we must know the level of financial knowledge, attitudes and behavior. Present study will make an attempt to assess financial literacy and its determinants, which will help policy makers and regulators to devise appropriate strategies in order to increase the level of financial literacy among population.

Literature Review

Tilakam (2012) observed that rural masses in India are comfortable with the conventional investment choices and are more risk-averse than risk-taker. Stango and Zinman (2009) show that people who make mistakes in interest and future value calculations tend to borrow more and save less..

Seshan and Yang (2012) have provided a savings oriented financial literacy workshop to the migrant Indian workers in Qatar and observed large positive effects on migrant savings and their remittance to their family after the workshop. Doi, McKenzie, and Zia (2012) find that impacts on financial knowledge, behavior, and savings are largest when both the migrants and their families receive financial education. Al-Tamimi and Kalli (2009) assessed the financial literacy of the UAE investors. The results indicate that the financial literacy of UAE investors is far from the needed level. The financial literacy is found to be effected by income level, education level and workplace activity.

Lusardi and Mitchell (2011) measure financial knowledge across eight countries, i.e. Germany, New Zealand, United States, Japan, Sweden, Russia, Netherlands and Italy and conclude that financial literacy is very low around the world, irrespective of the level of financial market development and the type of pension provided. They have further found that women and relatively older population were having less knowledge in respect of financial matters. Klapper and Panos (2011) investigated the impact of financial literacy on the retirement saving in Russia. They found that higher literacy is positively related to retirement planning and investing in private pension funds.

Sabri et al. (2010) investigated the impact of personal and family background, academic experiences and childhood consumer experiences on the financial literacy level of college students in Malaysia. The sample of the study includes 2519 students from 11 public and private colleges. The authors concluded that children who live in campuses and attend private colleges are less likely to be financially literate. Mahdavi and Horton (2012) reported a connection between financial literacy and parental background; in this case, fathers' education was positively associated with their female children's financial literacy. In other words, financial literacy may well get its start in the family, perhaps when children observe their parents' saving and investing habits, or more directly by receiving financial education from parents. Curto et al. (2010) has examined through this research that financial literacy is strongly related to socio demographic characteristics and the family financial status. The major outcome was the role of parents in influencing the young to acquire the financial knowledge.

Hogarth (2002) explored the financial literacy of adults in the U.S using 28 true/false type questions on topics related to personal finance. The study showed that, in general, less financially knowledgeable respondents were more likely to be single, relatively uneducated, relatively low income, minority, and either young or old (not middle aged). Puneet Bhushan & Yajulu Medury (2013) found that Financial literacy level gets affected by gender, education, income, nature of employment and place of work.

Several studies have attempted to examine the level of financial literacy in India. Most of them found poor financial literacy rate in India. For instance, the VISA (2012) study ranked India at the 23rd position among the 28 countries surveyed. Cole et al. (2008) measured the level and predictors of financial literacy, and its relationship to demand for financial services in India and Indonesia. They found strong relationships between financial literacy and financial behavior. Survey data demonstrates that financial literacy is an important correlate of household financial behavior and household well being.

On reviewing the existing literature on financial literacy, it appears that most of the work is done in US, Australia, UK and other developed economies. Very few research studies have been carried out in developing countries like India. Target population in most of the studies is college students or urban working population.

Need and Objective of the Study

Financial problems are often the basis for divorce, suicides, mental illness and a variety of other unhappy experiences. In addition, 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.

The need for financial literacy is especially salient in light of the current economic situation. Families struggling to high rate of inflation and reductions in household income need to be able to draw on financial skills such as budgeting, saving, and credit and debt management. In particular, many low- and moderate-income (LMI) families that were already stretched thin before face even greater financial challenges.

Financial education empowers consumers to become better shoppers, allowing them to procure requirements at lower cost. In totality this process, raises consumers' real purchasing power and multiplies the opportunities for them to consume, save, or invest. Having these basic financial planning skills can help families to maximize their long term financial well being and meet their short term obligations.

Rarely any studies available that focus on low income rural tribal and marginalized section of the society and used all the areas of personal finance in order to measure the level of financial literacy. This study aims at bridging this gap.

The Present Paper has following Objectives

- To measure the level of Financial Knowledge, Behavior and Attitude of the rural tribal population of Tripura.
- To determine the level of financial literacy of the rural tribal population of Tripura.

Data Sample and Methodology

The present study is focused on rural tribal of Tripura. The study is based on primary data and a total of 362 samples were drawn from four major tribal dominant district of Tripura. The data were collected through interview schedule and convenient sampling has been employed keeping in view the socio economic characteristics. The hypothesis of this study has been tested with the help of Chi-Square. The hypothesis has been tested at 5% significance level.

Measuring Financial Literacy

This study follows the globally recognized OECD survey questionnaire score method for measuring the financial literacy with minor changes because of local scenario. Since OECD defines Financial Literacy as a combination of knowledge, attitude and behavior, it would only be prudent to derive/evaluate Financial Literacy by combining all the three components.

Table 1 Component wise Financial Literacy score

Questions	Maximum Score	Cut-off Score
Financial Knowledge	11	8
Financial Behavior	16	11
Financial attitude	8	5
Financial literacy	35	24

Financial Knowledge measures understanding of relationship between inflation and return, inflation and prices, interest calculation, risk & return, and the role of diversification in risk reduction.

Financial Behavior basically focus on the way an individual deal with money in their daily life such as timely payment of bill, affordability of product and expenditures, planning household budget, assessing saving and borrowing habits.

Financial Attitude essentially based on an individual belief regarding money which influence the behavior like the extent of belief in planning, saving and consuming.

In order to assess overall levels of financial literacy, the individual scores of all three components are combined weighted. OECD proposes a cut off 15 marks out of maximum aggregated value of 22. The respondent who scores less than 15 out of 22 (68% of combine score) would be considered financial illiterate. The respondent who scores more than 15 points on aggregate basis would be technically considered financially literate. However this study considers 24 out 35 (68% of combine score) as cut-off score for technically call a person financially literate.

We can further segregate financial literate segment into two categories – moderately literate and highly literate. The respondent who scores more than 24 points on aggregated basis but scores less or equal to 32 points on aggregated basis would be considered moderately literate. The respondent who scores more than 32 points on aggregated basis would be considered highly literate.

Data Result and Findings

**Table 2 Category and Component wise Financial Literacy Score
Computed from the Survey Results**

Category	FK [≥ 8 Points]	FB [≥ 9 Points]	FA [≥ 5 Points]	FL [≥ 24 Points]	Moderate FL [≥ 24 and ≤ 32]	Highly FL [> 32 Points]
Max Score	11 Points	16 Points	8 Points	35 Points	35 Points	35 Points
Obtain Scor	27%	18%	72%	20%	20%	0%
Gender						
Male	31	20	73	22	22	0
Female	15	8	72	7	7	0
Age						
15 - 25	31	8	31	5	5	0
26 - 35	37	21	80	25	25	0
36 - 45	29	19	85	24	24	0
46 - 55	16	18	77	12	12	0
Above 55	8	19	51	11	11	0
Education						
Illiterate	0	3	54	-	-	-
Primary	2	9	69	2	2	0
Middle	27	14	78	15	15	0

High School	55	27	87	36	36	0
S. Secondary	82	77	88	77	77	0
Graduation	88	53	82	65	65	0
Above Grad	100	67	10	100	100	0
Marital						
Single	71	41	65	47	47	0
Married	26	17	74	19	19	0
Divorced	0	20	60	-	-	-
Widow	10	0	50	-	-	-
Family Type						
Nuclear	27	13	73	16	16	0
Joint	29	31	73	28	28	0
Religion						
Hindu	30	20	76	21	21	
Christen	23	14	64	14	14	0
Buddhist	21	15	71	14	14	0
Household						
EPL	19	-	58	3	3	0
BPL	20	5	70	7	7	0
APL	43	44	83	44	44	0
Ind Income						
Below 2500	16	4	65	4	4	0
2501 - 5000	26	3	73	11	11	0
5001 - 7500	15	31	73	23	23	0
7501- 10000	33	67	89	56	56	0
Ab 10000	68	93	91	82	82	0
Family Income						
Below 2500	6	-	60	-	-	-
2501 - 5000	19	1	68	4	4	0
5001 - 7500	20	4	74	6	6	0
7501- 10000	41	24	79	32	32	0
Ab 10000	56	76	86	68	68	0
Occupation Category						
Government	55	72	83	65	65	0
Private	19	5	71	9	9	0
Self Employ	20	5	69	6	6	0
Area [District]						
W. Tripura	30	17	72	20	20	0
Dhalai	17	9	69	9	9	0
Gomti	33	25	78	26	26	0
Sephaijola	34	27	73	25	25	0
Tribes Name						
Bongher	8	-	42	-		
Chakma	22	11	70	15	15	0
Debbarma	36	22	79	24	24	0
Jamatia	23	12	78	12	12	0
Molsom	3	7	55	7	7	0
Murasing	35	33	72	30	30	0
Reang	52	18	88	29	29	0
Tripura	23	20	68	20	20	0

Note: FK=Financial Knowledge, FB=Financial Behavior, FA=Financial Attitude, FL=Financial Literacy

Financial knowledge

- The result reveal that financial knowledge is low across the tribal population in Tripura and only 27% of the respondents are able to clear the cut-off mark.
- Male respondents have better financial knowledge than female their female counterpart.
- The age group have significant impact on financial knowledge, 37% of age group between 26- 35 have required FK while it is only 8% in above 50 age.
- None of the illiterate respondent reach required cut off for FK while 82% of the graduate passed respondent have posses the financial knowledge.
- Single individual have more financial knowledge than married respondent.
- Only 20 percent of the EPL and BPL respondent have financial knowledge while half of the APL category respondent clear minimum cut off for FK.
- Higher income group have more financial knowledge than lower income group respondents.
- More than half of govt employees have sufficient financial knowledge while only 1/5 of self employed respondent reach minimum cut off required for FK.
- Lowest number of Dhalai district respondent has financial knowledge comparison to other three region.
- Only 3% of Molsom tribe has basic financial knowledge while half of the Reang tribe respondents clear the minimum cut off.

Financial Behavior

- Only 1/5 of the total respondents have positive financial behavior which is very low and matter of worrisome.
- Male and educated respondents have more positive financial behavior than female and uneducated respondents.
- 30 % of respondent with joint family have positive FB while it is only 13 in case of nucleus family.
- House category have significant impact on financial behavior of the respondent, half of the APL clear required cut-off score for FB while none of the EPL respondent do so.
- Government and salaried receiving respondent showed good financial behavior than others.
- Higher income group respondents appear more positive financial behavior than their lower income group counterpart.
- Demographic location does not have any significant impact on financial behavior of the respondents while different tribes vary in their financial behavior.

Financial Attitude

- Financial Attitude score (2/3) of the respondents are fantastic across the sample.
- There is no significance difference in FA of the respondents across gender, religion and family types.

- Teenager and odder respondents have more negative financial attitude than middle age group.
- Marital status does not affect the financial behavior of the respondents.
- Higher income group seems to have more positive financial attitude than lower one.
- Area location does not impact the financial attitude of the respondents.
- Lowest number of Bongher and Molsom tribes have positive financial attitude among other tribe.

Financial Literacy

- Overall 20 percent of the respondents are financial literate and none of them are qualified for the higher financial literate across the sample.
- 1/4 of the male population and 9 percent Of the female respondent were found moderate financial literate.
- There are significant variation in financial literacy among various age group, 26- 35 category scored highest at 25 percent.
- Financial Literacy increases with educational qualification and none of the uneducated respondents have found financial literate.
- Half of the single status respondents are found financial literate while it is only 20 Percent in case of married population.
- Joint family respondents perform better than nucleus status respondents.
- Religion does not have any significant impact on level of financial literacy.
- Only 3% of EPL and 7% of BPL household are financial literate while it is 44 Percent in case of APL household.
- Higher earning income group respondents are more financial literate than lower income group.
- 5 percent of the government employee are found moderate financial literate while it is only 9% and 6% in case of private and self employed respondent.
- Only 9 percent of the Dhalai district respondents have moderate financial literacy while other districts shows 20 to 25 percent.
- The Bongher, Molsom and Jamatia tribes have low level of financial literacy while Murasing are scored highest.

As this study categorize Financial Literacy into two parts; Moderate Financial Literate and Highly Financial Literate but above table show that none of respondents qualify for the second category and all fall under Moderate Financial Literate.

Conclusion

The striking conclusion of the study is that overall level of financial literacy of rural tribal population of Tripura is low compare to global standard but close to all India level. The majority of the respondents has poor Financial Knowledge and Behavior but scored well in Attitude that is interesting. The results suggest that level of financial

literacy varies significantly among respondents based on various demographic and socio-economic factors. There is urgent need to improve the financial literacy across the various tribes and special focus should be given to backward tribes like Molsom, Boncher and Chakma as their financial literacy rate is lowest among other tribes. Financial literacy programmes and education should be organized at different levels by the government and other concern institution in rural tribal areas. Basic financial literacy should be imparted to the people belonging these areas. It will empower the household and will significantly help in growing the financial sector and economy as a whole.

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