

Title of the Paper: A Qualitative Assessment of Financial Literacy among the Scheduled Caste Women

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Abstract: *Financial literacy activates common people's involvement in economic life. Financial literacy will make financial inclusion initiatives worthwhile. Financial ignorance leads the vulnerable segments to financial hardship. The present study is intended to examine the status of financial literacy among one of the vulnerable and marginalized sections of the society such as Scheduled Caste women. Two FGDs were conducted in gathering information related to financial literacy. Low levels of income, income instability, low educational qualification, short sighted financial behaviour, cultural peculiarities and lack of financial awareness programmes are the major reasons for their low financial literacy. Socio-economic backwardness is found to be the major factor responsible for the low financial literacy among SC women.*

Keywords: Financial literacy, financial attitude, financial behavior, financial knowledge, Scheduled Caste women

1. Introduction

Financial literacy activates common people's involvement in economic life. Financial literacy also improves participation in formal financial market. Providing adequate financial literacy is regarded as the first step towards financial inclusion. As pointed out by K.C. Chakrabarty (2013) financial literacy creates demand for financial products and services thus speed up the tempo of financial inclusion as it facilitates the common man to understand the needs and benefits of the products and services offered by the banks. Since 1969, RBI formulated and implemented many policies to bring the financially excluded segments into the ambit of the formal financial system. But poor and marginalized segments of the society still remain excluded from accessing the services provided by formal financial system. More and more complex financial markets and information asymmetry make it difficult for a common man to make financial decisions for their well-being. Adequate

knowledge about financial matters is essential to make wise financial decisions. Financial illiteracy leads to unwise financial decisions which in turn worsen the economic security of individuals and their families.

The terms financial education or financial knowledge and financial literacy are not the same although many consider both as synonyms. Financial literacy is wider than financial education or knowledge. According to Huston (2010) the two dimensions of financial literacy are first the financial knowledge and second the use or application of financial knowledge to make appropriate financial decisions. The Organization for Economic Co-operation and Development (OECD) / International Network on Financial Education (INFE) (2012) defined financial literacy as “a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial well-being.” In general, financial literacy is a combination of financial attitude, financial behavior and financial knowledge.

Knowledge and awareness about various financial concepts and terms are essential to ensure financial well-being of individuals. Financial knowledge examines the awareness of the people about financial products and services like interest, risk-return, inflation and diversification. Financial knowledge is a vital constituent of financial literacy as it enable individuals to make suitable and well-informed economic decisions. The dealings and manners of individuals are influenced by their financial position and security in their life time. Both positive and negative financial behaviours of individuals have significant impact on their financial well-being. Financial behavior takes into consideration manners of people which affect their financial wealth and wellbeing. It considers questions related to household budget, cautious purchases, savings, long term financial goals, observing financial affairs, timely payment of bills and affordability. The attitude of individuals towards finance and money will have an influence on their financial decisions. Individual's attitude towards finance is taken into consideration to find financial literacy. Financial attitude incorporates attitude towards spending, saving and planning money.

2. Significance of the Study

Financial literacy will make financial inclusion initiatives worthwhile. Financial ignorance leads the vulnerable segments to financial hardship. Financially ignorant households borrow more, save less and favor shorter maturities (Stango and Zinnman 2009). Financial literacy

helps them to stay away from the expensive informal financial service providers. Access to financial services by marginalized segments, is a critical determinant of their status and ability to participate in economic activities. Government of India has adopted numerous innovative ways of providing financial services to the financially excluded sections to make them financially included. In spite of these initiatives, marginalized communities and women exhibit relatively poor status with respect to financial literacy and inclusion. Kerala is one of the most financially included states in India. The Scheduled Caste community is one of the communities identified as heavily disadvantaged in Kerala's history of social development. In this scenario, it is relevant to examine the determinants of financial literacy among one of the vulnerable and marginalized sections of the society such as SC women.

3. Review of Literature

Mathivathani and Velumani (2014) observed very low financial literacy among marginalized rural women in Tamilnadu. Low financial literacy adversely affects their financial decision making and proper utilization of financial resources. Hung et. al.,(2012) point out that SC women exhibit lower levels of financial literacy which adversely affect the financial well-being of their family. Joseph (2012) pointed out that financial literacy enables participation in economic life by the marginalized people and enhance their financial wellbeing.

Sharma (2016) opined that there is unavailability and unawareness of banking services to those people who are living in poverty and scarcity in India. Financial exclusion is a crucial concern amongst the low-income households. Financial exclusion can make poor people vulnerable to the greedy money lenders. It widens inequality, increases poverty and obstructs overall development of the country. Krishnan (2014) evaluated the financial inclusion and financial literacy among the tribal people of Wayanad district of Kerala and found that financial literacy among them is very low. There is noteworthy variation in financial literacy and financial inclusion among tribal subgroups in Wayanad. Kumar (2013) found financial exclusion among many members of the Scheduled Tribe community in Wayanad district of Kerala and there is strong association between their socio economic features and their financial inclusion status. They lack financial resources to demand financial resources.

Tiwari (2014) found that women from Pardhi Community, a de-notified tribe remain excluded from accessing financial services provided by formal financial system. The main barriers of

their financial inclusion are poor educational status, social exclusion of their community and the stringent rules and complicated procedures of formal banking system.

4. Statement of Problem

Government initiatives are intensively focusing at expanding financial services and providing more financial awareness especially for the vulnerable groups including women. In spite of these initiatives, some of the studies show that marginalized communities and women exhibit relatively poor status with respect to financial literacy and inclusion. Nowadays financial landscape is becoming increasingly complex. At this juncture it is relevant to analyze, how far the women from vulnerable section are financially literate to access appropriate financial services. Hence, the present study is intended to examine the status of financial literacy among one of the vulnerable and marginalized sections of the society such as Scheduled Caste women.

5. Objective of the Study

To examine the status of financial literacy among Scheduled Caste women in Kerala.

6. Data Source and Methods

Among the 14 districts in Kerala, the number of Scheduled Caste population is highest in Palakkad district (13.29 percent) according to 2011 census and the number of female Scheduled Caste population is also high in Palakkad district (13.21 percent). Therefore, Palakkad district is selected for the present study. Focus Group Discussions (FGDs) is supportive in gathering information related to financial literacy among SC women. Therefore we conducted FGDs to trace out qualitative information related to their financial aspects. Two FGDs were conducted in Palakkad district one in Pattithara Grama Panchayath (representing rural respondents) and other in Palakkad Municipality (representing urban respondents) to identify the determinants of financial literacy among SC women qualitatively.

The three components of financial literacy are financial attitude, financial behaviour and financial knowledge. Questions concerning the participants' attitude towards spending, saving and planning money were posed to gather information regarding their financial attitude. Questions regarding the participant's economic behaviour viz. long term financial

goals, household budget, role in household money management, financial resilience, availability of financial advice and financial knowledge were also included to gather information regarding their financial behaviour and financial knowledge.

7. Results and Discussion

A summary of participant's comments and responses about financial literacy during FGDs is presented in this section.

7.1 Financial Attitude

According to them "financial planning and setting financial goals were none of their business and it is meant only for rich people". Their responses indicate that because of their weak financial condition they could not make savings for long term financial security. Most of them are underemployed and have work only on some days and hence they have low and irregular income and are unable to make future financial plans. One rural participant said "our income is insufficient even to meet the basic requirements so it is impossible to set apart money for savings". One urban participant said "we are mainly bothered about how to cover today's living cost and not about future financial security". Most of the participants expressed their attitude towards finance as live today and let tomorrow take care of itself. Hand to mouth existence is still a reality and it seems to be their way of life irrespective of their place of residence.

Participants in two FGDs mentioned that they would like to handle money prudentially but they are unable to reduce certain type of expenditure. There are some institutional factors including practice of customs, traditions and beliefs also insist them to spend more. They are compelled to spend money at the time of celebrating local festivals and weddings where a huge sum is required. One participant said "tendency to imitate other's way of spending for celebrations is a major reason for increasing expenditure at weddings and in order to retain family prestige we often borrow money although it becomes a huge burden". Another participant added "whenever children demand costly things, we try to fulfill their requirements. We are not able to convince children about our financial difficulties". Their responses indicate that their living expenditure is not proportional to their income and they wish to practice thrift but often fail to do so. Discussions both in urban and rural areas reveal that with relatively low income from irregular employment, most of them have many unsatisfied needs and desires along with the pressure of „keeping up with the joneses“.

Besides these, they are also forced to be a part of social network and hence have to actively participate and spend on regional/local festivals related to their beliefs like pooram, vela etc. which in turn increase their financial burden. At the same time they cannot abstain from such expenses on account of fear of non-co- operation from their fellow men in times of cash requirements and emergency situations. For an outsider all these seem to be unnecessary expenditure and lack financial discipline and alertness among them while dealing with household finance. The main reason for the poor financial attitude has been the poor socio- economic conditions among SC women. They are characterized by low income, education and lack of access to resources because of unemployment and underemployment.

7.2 Financial Behaviour

7.2.1 Long -term Financial Goals: Participants in FGDs reported that in their struggle to make both the ends meet with their meager income, they are unable to set long-term financial goals. They are quite ignorant of the relevance of setting financial goals for their future financial security. They are not thinking in terms of attainable long term goals in future. They are not bothered about making short-terms sacrifices or cutting wasteful expenditure in order to attain long-term financial security. This highlights the shortsighted financial behaviour among them.

7.2.2 Household Budget: The participant's responses indicated that they are unaware of the importance of having a household budget and the habit of keeping the records of income and expenditure. Participants reported that since their income is not fixed or regular, they are incapable of planning their household expenditure beforehand so they just look forward for their current needs. Their responses indicated that unplanned expenditures increased the financial burden of their households. FGD suggest that money management of majority of therespondents is quite unsatisfactory.

7.2.3 Role of Women in Household Money Management: Participants in the discussions expressed that women used to handle money for household consumption expenditure. But their responses indicated that although women have financial freedom for meeting daily household consumption needs, most of them do not possess financial freedom to carry out

large amount transactions. It is clear from the discussions that major monetary decisions in the family are taken by male members and only small denomination transactions like dishes to be prepared, buying clothes were decided by women. Discussions also reveal that weak financial decision-making power for women within the household adversely affects the use of financial services by women.

One of the participants had a contradictory opinion, she commented, that “in my home father gives entire money to mom and she carefully handles finance to meet the requirements of the family and this helps to improve our financial status”. Some of the participants expressed their view that ladies can manage money better than men and money management by ladies help to reduce the unwanted expenses made by men like eat out, liquor, smoking, etc. Discussions pointed out that better household allocation of financial resources is possible by improving women’s bargaining power within the household.

7.2.4 Financial resilience: Participants reported that they frequently encountered with situations wherein their income does not cover their living cost and forces them to depend on borrowing. Their responses indicate that they usually depend on informal moneylenders whom they call “annans” in times of financial difficulties. Other sources of borrowing include SHGs, Micro Finance Institutions, and Co-operative Societies. One participant said “when a financial need arises we are not bothered about the cost of borrowing and our capacity to repay the loan”. One participant said “Some of us borrow multiple loans from multiple sources for meeting our financial difficulties”. Their responses indicate that improper money management drags them into debt trap. Discussions also reveal that most of the participants are afflicted by the mental costs associated with debt burden.

7.2.5 Financial Advice: Both FGDs reported that most of them do not get any financial information or advices and are unaware about the financial or welfare schemes meant for them. Some women avail financial information from SHGs. Most of the participants in the discussion expressed the necessity for the provision of financial awareness classes and training on money management skills.

7.3 Financial Knowledge

Participant's responses indicated a relatively poor financial knowledge among them. Participants expressed varying familiarity and understanding about the features of various financial products or services and most of them are not aware about the cost and benefits of various financial products. They are quite ignorant of the payment options and grievance redressal mechanisms available. FGDs reveal that many of them are not confident to access various financial products or services with the little money they have. Their responses indicated that low educational qualification among SC women is responsible for their low financial knowledge. During the discussion, they expressed their interest to know more about financial products and services suitable for them.

8. Conclusion

Low levels of income, income instability, low educational qualification, short sighted financial behaviour, cultural peculiarities and lack of financial awareness programmes are the major reasons for their low financial literacy. Deep rooted dependence on informal finance and lack of awareness about the benefits of formal channels deters the use of formal financial products and services. Socio-economic backwardness is found to be the major factor responsible for the low financial literacy among SC women.

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