

## IMPACT OF THE FINANCIAL LITERACY PROGRAMME ON FARMERS IN PULLU VILLAGE

SREELAKSHMI C. C

Teaching Faculty, Department of Rural Banking and Finance Management, College of Co-Operation,  
Banking and Management, Kerala Agricultural University, Kerala, India

### ABSTRACT

The present study examined the impact of the financial literacy programme on farmers in Pullu village. The study was mainly based on primary data collected through a semi-structured interview schedule from 60 farmer respondents selected randomly. Data were analyzed with the help of percentages and paired t-test. The study revealed that the FLP in Pullu Village has significant impact on the awareness and usage level of savings bank account by farmers. The Programme could also improve the awareness level of respondents about ATM. But FLP could not bring changes in the usage level of ATM since there is no ATM in the area and the USB is nearer to the farmers than the nearest ATM. Hence the awareness and usage of ATM services can be increased only through the provision of ATM. Since respondents are not possessing smart phones, the scope for mobile banking is very limited in the study area at present. The study also revealed feature that none of the respondents are taking credit from informal sources even though money lenders are prominent in the area. FLP has been successful in creating at least partial awareness regarding KCC among the farmers. The study suggested the use the services of business correspondents from their local area to spread awareness about modern banking services and schemes among farmers.

**KEY WORDS:** ATM, Financial Literacy, KCC, Savings Bank

### INTRODUCTION

Financial literacy is the possession of knowledge and understanding of financial matters. It refers to the set of skills and knowledge, that allows an individual to be informed, and take effective decisions with respect to all of their financial resources. The absence of financial literacy can lead to making of poor financial decisions, that can have adverse effects on the financial health of an individual. Hence, financial education or financial literacy has assumed greater importance in the recent years, in the policy decisions of the Government of India (GOI) and Reserve Bank of India (RBI). Being an Agra – based economy, financial information and financial knowledge is essential for farmers, since farming activities cannot be done without agricultural credit. Financially, literate farmers can make effective use of the various financial products and services, of the institutional sources, so that, they will be relieved from the clutches of the unorganized financial sources. Hence, Financial Literacy Programs are being conducted by the banking institutions, at their own initiative and as per the directions of RBI, for all sections of society including farmers, after identifying areas where financial exclusion is high. The present study relates to such a Financial Literacy Program, conducted for the people of the Palau village of Thrissur District.

### STATEMENT OF THE PROBLEM

Pullu village in Chazhoor Panchayat of Thrissur District of Kerala, falls under the purview of the Financial

Inclusion Programme of South Indian Bank, since 2010. RBI had identified Pullu village from unbanked villages, with less than 2000 population, for developing into a Model Village for delivering financial growth, along with the empowerment of rural population. South Indian Bank entrusted Department of Rural Banking and Finance Management of College of Co-operation Banking and Management, Kerala Agricultural University to conduct a detailed financial assessment survey of villagers in Palau. The detailed survey report of Pullu, enabled the Bank to identify the gaps that existed in the village, in terms of the level of financial literacy, penetration of banking services and other infrastructural requirements in the village. South Indian Bank initiated further steps in the village, based on the findings and inferences from the baseline survey report. South Indian Bank opened an Ultra Small Branch in Palau, on 1st November 2013, an action by which the Bank declared Palau as “Bank’s Own Village”. The need of imparting financial education to villagers was identified, to improve the standard of living of villagers, on the basis of the report of the baseline survey. Under the program, student teams consisting of ten undergraduate and five post graduate students paid visit to the village, for undertaking the baseline survey in the village, followed by Participatory Rural Appraisal (PRA) to take stock of the situation. On the basis of needs assessment identified from the PRA exercise, financial literacy programs were rolled out. Thereafter, South Indian Bank is continuing its efforts to penetrate banking services to the people of Palau. More than two years have been completed after the implementation of the Financial Literacy Program in Palau Village. Hence, it is the apt time to explore whether the program has made any positive change in the banking awareness and banking habits, among the people of the village. Being agriculture dominated village, the effort here is to find out the improvement or positive change, with respect to awareness, availability and usage of selected banking services by farmers, as a result of the Financial Literacy Program, conducted in the Pullu village.

### **OBJECTIVE OF THE STUDY**

The main objective of the study, is to examine the impact of the Financial Literacy Program on farmers, in the Palau village of Thrissur District.

### **METHODOLOGY OF THE STUDY**

The Financial Literacy Program (FLP) was conducted in the fourth ward of the Palau village in a Chazhoor Grama Panchayat. Hence, in order to analyze the impact of FLP on farmers, the same ward is selected for the study. The study is mainly based on primary data collected, through a semi-structured interview schedule from 60 farmer respondents, who were selected randomly. Information regarding schemes of RBI and GOI for financial inclusion is obtained, from their respective websites. The data collected were analyzed with the help of percentages, indices and paired t-test

### **RESULTS AND DISCUSSIONS**

The Financial Literacy Program was conducted in the Pullu Village, with the following objectives, viz; to educate the villagers with regard to various financial products and services, available from the formal financial sector; to create awareness about the advantages of being connected with the formal financial sector; and to spread the usage of banking services, among the people by imparting practical knowledge of techno banking.

In analyzing the impact of FLP among farmers, four categories of services through banks are considered, viz., Savings bank account, ATM services, mobile banking, and borrowings. Basically the impact of FLP has been assessed by finding out the changes in the awareness and usage levels of each of these services, before and after the program. As a

prelude to the discussion of the impact of FLP on farmers, a brief picture on the demographic profile of the farmers is given in the ensuing section

**Table 1: Demographic Profile of Respondent Farmers**

Sl. No	Characteristics	No. of respondents	Percentage
1	<b>Age (in years)</b>		
	30-40	10	16.7
	40-50	16	26.7
	50-60	14	23.3
	60-70	13	21.7
	>70	7	11.6
	<b>Total</b>	<b>60</b>	<b>100</b>
2	<b>Gender</b>		
	Male	43	71.7
	Female	17	28.3
	<b>Total</b>	<b>60</b>	<b>100</b>
3	<b>Educational status</b>		
	Below SSLC	24	40
	SSLC	24	40
	Plus Two	12	20
	<b>Total</b>	<b>60</b>	<b>100</b>

Source: compiled from primary data

### Impact of Financial Literacy Programme with Respect to Savings Bank Accounts

To examine the impact of the Financial Literacy Programmes and to find out whether these awareness campaigns have been fruitful, the awareness level and usage level of respondents about Savings Bank Account, before and after the Programme is examined with the help of awareness index.

The awareness level of the farmers, with respect to six features of savings bank account like procedure for opening account, mode of depositing, minimum balance to be maintained, interest on SB account balance, pass book and mode of withdrawal are examined by means of statements and getting scores for each of the statements based on whether they are fully aware, partially aware or not aware, with score values of three, two and one respectively. The individual awareness index was constructed on a three point Likert Scale, as:

$$\text{Individual awareness index} = \frac{\text{total score}}{\text{maximum score}} \times 100$$

The maximum score is 18, with six statements and maximum individual score of three. The individual awareness index calculated, for each of the respondents are categorised into three classes, viz., if the Index score is less than 34 percent - Not Aware; If the Index score lies between 34 percent and 67 percent - Partially Aware; If the Index score is more than 67 percent - Fully Aware. The awareness level on savings bank accounts before and after the FLP is measured, and the impact is examined with the help of paired t-test. The details are given in Table 3.

**Table 2: Awareness Level of Farmers about SB Account Before and After FLP**

Sl. No	Particulars	No of Respondents	
		Before FLP	After FLP
1.	Fully Aware	1 (1.6)	58(96.7)
2.	Partially aware	55 (91.7)	2(3.3)

Table 2 Contd			
3.	Not aware	4 (6.7)	0
	<b>Total</b>	<b>60 (100)</b>	<b>60 (100)</b>
	<b>Composite index</b>	<b>61.1111</b>	<b>94.4444</b>
	<b>t-value</b>	<b>46.875**</b>	
	<b>Sig.(2-tailed) *</b>	<b>0.000</b>	

Source: Primary data

**Note:** Figures in parenthesis represent percentage to total

Table 3, makes it clear that the FLP conducted at Pullu village has improved the awareness level of farmers, about Savings Bank account. Majority had poor knowledge regarding the opening, operation, minimum balance to be kept, interest rate, pass book and mode of withdrawal of SB account. But, after the programme, the level of understanding has tremendously increased. From less than two percent before the FLP, it has reached a level where nearly 98 percent of the farmers are fully aware. It is a signal of the success of the programme. The result of paired t-test is also significant at one percent level, which clearly indicates that, the Financial Literacy Programme has significant impact on the awareness level of farmer respondents, about the savings bank account.

Table 4, reveals the success of the FLP, with respect to usage of SB account services by farmers. Before the FLP, only 70 percent of the farmer respondents had a SB account, which was with Service Co-operative Bank, being members of Padasekhara Samithi. For getting the benefits related to rice cultivation, the members of Padasekhara Samithi had to open SB accounts, with the Alappad Service Co-operative Bank. It is a positive impact, that all the farmer respondents who did not have SB accounts before the FLP, has opened SB accounts after the Programme. The easy access to the Ultra Micro Branch, opened by South Indian Bank has enabled the farmers to open the accounts. Now, all the farmer respondents have an SB account with a commercial bank. The FLP has motivated the farmers to be a part of the formal banking system.

**Table 3: Usage of SB Account Services by Farmer Respondents**

Sl. No	Particulars	Before FLP	After FLP
1.	Users	42(70)	60(100)
2.	Non-users	18(30)	0
3.	Total	60	60

Source: Compiled from primary data

### Impact of FLP with Respect to ATM Usage

Here, an attempt has been made to evaluate the extent of awareness and usage of electronic banking services, through ATM, by the farmer respondents.

**Table 4: Level of Awareness of ATM Services by Farmer Respondents**

Sl. No	Particulars	No of Respondents	
		Before FLP	After FLP
1.	Fully Aware	3(5)	4(6.66)
2.	Partially aware	3(5)	35(58.33)
3.	Not aware	54(90)	21(35)
4.	Composite index	35.1852	40.9259
5.	t-statistic	5.197**	
6.	Sig.(2-tailed) *	0.000	

Source: primary data

Note: Figures in parenthesis represent percentage to total

Table 6 reveals that, before the FLP, 90 percent of the respondents were totally unaware about ATM and its services. This has declined to 35 percent after FLP. Sixty five percent of the farmers are either fully or partially aware of the ATM service, which is a positive impact of the FLP. The result of paired-t-test is also found to be significant, implying that, the FLP has positive impact on raising the awareness level about ATM services among farmers. The objective of the Programme is to create full awareness about ATM and to make the rural people use such electronic banking services. Hence, the reason why there is not remarkable improvement in the 'fully aware' category of farmers is to be enquired into. An examination of the usage level of the ATM services, by respondents is done in the ensuing section with this objective.

**Table 5: Usage of ATM Services by Farmer Respondents**

Sl. No	Particulars	Before FL	After FL
1.	ATM holders	1 (1.66)	59 (98.33)
2.	Users	1 (1.66)	4 (6.66)

Source: Primary data

Note: Figures in parenthesis represent percentage to total

It is seen that, although all the respondents except one are having ATM card, only nearly seven percent of them are using it. This clearly indicates that, eventhough the bank made available the services to farmers, it could not make them use ATM services. One reason is that, many of the farmer respondents do not have the technical skill, to use the ATM services as the education level of respondents are very low, 80 percent of them being SSLC and below SSLC (Table 1). Another more important reason is that, the bank branch is nearer to them than the ATM centre. They are very comfortable with the withdrawal slip, for withdrawing money. The farmers are not expected to travel further, than the branch for availing banking services, through ATM. Hence, they are not interested to use ATM for withdrawing money. Only, when they start using the ATM, they will become fully aware of the services. Hence, the level of awareness is low among the farmers. The awareness and usage of ATM services can be increased, only through the provision of ATM. It should have come as a follow up measure of the FLP, from the part of South Indian Bank, or any other banking institution.

### Impact of FLP With Respect to Mobile Banking

Table 8 reveals that, before and after the FLP, none of the respondents are aware of mobile banking services. The sample survey revealed that, out of 60 respondents, 58 are not having a smart phone. Although, they have mobile phones, mobile banking is not possible through their phones. As such, the question of mobile banking is impossibility and hence, naturally there will be no impact for any FLP.

**Table 6: Awareness Level of Farmers about Mobile Banking Services**

Sl. No	Particulars	No of Respondents	
		Before FL programme	After FL programme
1.	Fully Aware	0 (0)	0 (0)
2.	Partially aware	0 (0)	0 (0)
3.	Not aware	60 (100)	60 (100)
	Composite index	33.3333	33.3333

Source: primary data

### Impact of FLP with respect to borrowings

The FLP was conducted, with an objective of providing formal credit to the rural people and thereby, reduce the intervention of informal sources, especially private money lenders. Formal sources consist of credit from commercial banks, co-operative banks, regional rural banks and other formal financial institutions. The extent of dependence of farmers on formal and informal sources, is depicted in Table 9.

**Table 7: Sources of Credit for Respondent Farmers**

Sl. No	Sources of funds	Before FLP	After FLP
1.	Formal sources	4	13
2	Informal sources	0	0
3	Not taken credit	56	47
<b>Total</b>		<b>60</b>	<b>60</b>

The numbers of farmers, who have taken loans from formal sources, have also not considerably increased after the Programme. The reason is that, farmer respondents are not interested in taking loans and doing cultivation, for fear of debt obligations, especially due to cases of crop failure and low prices for agricultural produce. The farmers are well aware of the consequences of default of loans and hence, more efforts by way of awareness programmes and motivation, to take loans detailing and illustrating the advantages of increasing their scale of cultivation, through formal loans is underscored here. A single FLP cannot make remarkable changes in the attitude of farmers, with respect to borrowings.

### Awareness level about Kisan Credit Card

Eventhough, the number of farmers who depend on credit for their agricultural operations are less, an attempt is made here to examine the level of awareness of farmers of Pull village, about the most important scheme for short term or seasonal agricultural credit, viz., Kisan Credit Card. Table 10 reveals that, all the respondents who were totally unaware of the KCC Scheme before the FLP, have become partially aware of it, after the Programme. It is already seen that, only a few of the respondents have taken loans for agriculture (Table 9). It is also observed that, nearly 92 percent of the farmer respondents are marginal farmers (Table 1). Hence, most of them manage their farm expenses from their own sources, rather than depending on loans. It can be concluded that, the FLP has been successful in creating at least partial awareness, regarding KCC among the farmers.

**Table 8: Awareness of Farmers about Kisan Credit card Scheme**

Sl. No	Particulars	No of Respondents	
		Before FLP	After FLP
1.	Fully Aware	0 (0)	0 (0)
2.	Partially aware	0 (0)	60 (100)
3.	Not aware	60 (100)	0 (0)
	Composite index	33.3333	66.6667

**Source:** Primary data

Note: Figures in parenthesis represents percentage to total

Table 11 makes it clear that, there is only a marginal increase in the usage of the KCC, by the farmers after FLP. It is interesting to note that, eventhough none of the farmers were aware, about KCC and its services, three of them were using it before FLP. They did not even have the minimum knowledge that, the card which was issued to them and which

three of them were using, was known as Kisan Credit Card. Eventhough, FLP could not substantially increase the usage of KCC, it could create awareness among farmers about KCC.

**Table 9: Distribution of Respondents in Relation to Usage of KCC**

Sl. No	Particulars	No. of respondents
1.	Before FLP	3 (5)
2.	After FLP	11(18.33)
3	Total	60(100)

Source: Primary data

Note: Figures in parenthesis represent percentage to total

## CONSTRAINTS OF FARMERS IN AVAILING BANKING SERVICES

Although, constraints in availing banking services by farmers do not form part of the objectives of the study, the last section is earmarked for it, to make the study more meaningful. Identifying the constraints may enable to suggest appropriate measures, for improving the financial inclusion activities of banks and other financial institutions, in the area. The constraints faced by the farmer respondents are depicted, in Table 13.

**Table 10: Constraints of Farmers in Availing Banking Services**

Sl. No	Constraints	No. of respondents
1.	Lack of clarity about modern banking products	60 (100)
2.	Short banking hours of the Ultra Small Branch	47 (78.33)
3.	Non availability of all the banking services from the Bank	13 (21.66)

Source: Primary data

Note: Figures in parenthesis represent percentage to total.

Although, the FLP covered the basic banking services to the people, many more products are offered by banks, since the Programme has been conducted. The farmers lack clarity about the services and advantages of the new products. This constraint has been pointed out, by the entire farmers. The farmers want to know about the new services of banks, for which more FLPs are essential. Hence, banks may take steps for conducting FLPs, on a regular basis, i.e., at least once in a year in a particular area, especially rural areas, when new products are launched by banks themselves, or by the Governments. This will also enable banks to monitor and take stock of the impact of these programmes.

As far as Pullu Village is concerned, there is only one ultra small branch of South Indian Bank in the area, which is functioning for three days a week, and that too only in the afternoon. The main branch is located at Alappad, which is far away. Hence, the farmers find it difficult, to meet their banking demands as and when necessary. Converting the existing USB into a full-fledged bank, or opening of a branch by some other bank, in the area is the solution to this constraint of farmers. This can also overcome the limitation of non availability of all banking services, from the USB. Since, USB is not a full-fledged branch, only certain basic banking services are at present available from the USB.

## CONCLUSIONS

The study has revealed that, the FLP in Pullu Village has significant impact on the awareness and usage level of savings bank account, by farmers. The Programme could also improve the awareness level of respondents, about ATM. But FLP could not bring changes in the usage level of ATM, since there is no ATM in the area and the USB is nearer to the

farmers, than the nearest ATM. Hence, the awareness and usage of ATM services can be increased, only through the provision of ATM. It should have come as a follow up measure of the FLP, from the part of South Indian Bank, or any other banking institution. Since, respondents are not possessing smart phones, the scope for mobile banking is very limited in the study area at present. It is a welcoming feature that, none of the respondents are taking credit from informal sources, even though money lenders are prominent in the area. FLP has been successful in creating at least partial awareness, regarding KCC among the farmers. There is no considerable change in the awareness level of respondent farmers, about the crop insurance scheme, even though unknowingly they are taking the benefit of it, for rice farming. The farmers are facing some constraints in accessing banking services, like lack of clarity about modern banking services, short banking hours and non availability of all the banking services from the Ultra Small Branch of SIB. If the status of this branch is changed to a normal branch, the villagers can avail all the banking services, under a single roof. In brief, it can be concluded that, the FLP in Pullu village could bring positive impact among farmers as a whole. But, still there are miles to go, especially with respect to credit. The Financial Literacy Programme should not be viewed as a one – time effort to bring the financially, excluded under the formal banking sector. It is a continuous process, especially for the less educated, whereby the financial institutions should take the initiative to monitor and supplement, wherever awareness and usage is lacking. The banks can also use the services of business correspondents, from their local area to spread awareness, about modern banking services and schemes among farmers.

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