

Financial Inclusion, Financial Literacy and Investments Patterns: A Study of Rural People of Indore District

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Abstract

Financial inclusion, literacy, investments are interrelated terms necessary to make an economy economically empowered. A lack of financial awareness is a major impediment to poverty and the enhancement of livelihood, capital formation, and supporting income-generating activities for rural people. On the one side Financial Inclusion refers to the process of promoting affordable, timely, and adequate access to a wide range of financial products and services. Financial Literacy covers a combination of awareness, knowledge, skill, attitude, and behavior that is needed to make sound investment decisions and financial well-being. As money and finance play a dominant role in any financial system, financial inclusion works as a tool for full coverage of each and every person in the economy to participate. For exploring the same this study titled Financial Inclusion, Financial Literacy and Investments Patterns: A Study of Rural people in Indore District of Madhya Pradesh is an attempt to empirically analyze the Status of Financial Inclusion, level of Financial Literacy and Investment patterns of people (farmers, Agriculturist, Agri-Entrepreneurs etc.) in Rural Area of the Indore District. Findings of these research paper exhibits that Rural People (farmers, Agriculturist, Agri-Entrepreneurs etc.) in selected rural and semi-rural areas in Indore district have lack of access to Basic banking and financial services and those who have access are not using these services due to low income, illiteracy. The study also covers various dimensions for measuring the level of financial inclusion, financial literacy, and investment patterns in the Indore district, as well as challenges in the use of financial products and services.

Keywords: Financial Inclusion, Financial Literacy, Agri-Entrepreneurs, etc.

Introduction

Inclusive Financial growth and development are key factors in economic development, under which financial inclusion and financial literacy play a major role in ensuring sustainability in the economic health of the country. Financial inclusion and financial literacy are twin pillars. While financial inclusion acts from the supply side, providing the reach of financial products and services that people demand, financial literacy stimulates the demand side, making people aware of what they can demand.

Financial inclusion is the process of ensuring vulnerable groups, such as the weaker parts and low-income groups, have access to financial services and timely and adequate credit when they need it at an affordable cost. In the 2006-07 budget speech, the Finance Minister described financial inclusion as providing vulnerable populations with timely and inexpensive access to credit and financial services. Financial inclusion is broadly defined as universal access to a wide range of financial services at acceptable prices. These include banking products as well as insurance and equity products (Dr. Raghuram G. Rajan, Chairman of the Committee on Financial Sector Reforms).

These aspects can generally be described as follows:

Branch penetration was defined as the number of bank branches per lakh. This refers to the widespread use of commercial bank branches and ATMs to provide the rural population with the most formal financial services.

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Credit penetration is calculated as the average of three measures: The number of loan accounts per lakh population, the number of small borrower loan accounts per lakh population, and the number of agricultural advances per lakh.

Deposit penetration is defined as the number of deposit accounts saved per lakh. This measure can be used to analyze the extent to which a formal credit system is used.

Hence to understand the perspective, problems of financial inclusion, Financial Literacy and monetary parameters like saving and Investment patterns researcher has chosen the topic entitled “Financial Inclusion, Financial Literacy and Investments Patterns: A Study of Rural people in Indore District of Madhya Pradesh” that is an attempts to empirically analyze the Status of Financial Inclusion, level of Financial Literacy and Investment patterns of people (farmers, Agriculturist, Agri-Entrepreneurs etc.) in Rural and semi-rural Area of the Indore District.

Literature Review

Multiple studies on the concepts of financial inclusion and financial literacy have been conducted in both national and international areas. So there are some Available literature in the same area that is written below:

Bekele (2022) With the help of Research Study Finalized that variations in literacy rates payments medium and, gender, age, employment status, and owning a mobile phone have significant and positive effects on financial inclusion. However, lack of documentation, trust, and money are significant barriers to financial inclusion. Lusardi et al. (2020) using the research study on financial inclusion and financial literacy showed that non-account holders have lower financial literacy levels than have accounts. However, this describes a relationship and does not say much about the potential causality. Pomeroy et al. (2020) using the research work found the current barriers to financial inclusion of households like limited financial capability and literacy, lack of collateral, remote distance from a banks and improper identification. Financial inclusion helps reduce inequalities among rural communities and leads to improved economic empowerment.

Radinto Wirawan (2020) have done research study on the topic role of financial literacy, gender, education and ethnicity towards investment decision with the aim to analyze the influence of financial literacy on the investment decision with the moderating effect of the various demographic variable using the multiple linear regression model on the respondents data obtained using the structured questionnaire and concluded that financial literacy has significant effect on the investment decision making and financial wellbeing irrespective of other variables undertaken on the study. Hussain et al. (2018) observed an association between educational level and business owners’ commitment to financial services. They acknowledged that financial literacy influences a firm’s access to finance and its progress. Varghese and Thomas (2018) found that women in rural areas face several challenges in investing in their savings, including a lack of financial literacy, limited access to financial institutions, and social and cultural barriers. This study highlights the need for financial literacy programs targeting rural women and promoting their participation in formal financial systems. Shankar Kumar et al. (2017) using the detailed study in the rural areas tried to explain the financial inclusion and financial literacy. They concluded that the literacy level in terms of fiancé status is not satisfactory and that people lack awareness of the major financial services offered by banks. Bongomin et al. (2016) conducted research study on the financial literacy’s financial inclusion, and its impact on social capital. The outcome indicates that financial literacy has a significant impact on financial inclusion over and over the complete mediation of social capital. Arora and Arora (2016) in the rural area of Haryana, conducted the research study found that savings and investment decisions were influenced by their socio-cultural backgrounds, reach to financial services, and financial literacy level.

Conceptual Framework

Financial inclusion and literacy work together as a foundation for economic development. Inclusive finance, on the one hand, means reaching different financial services such as banking, microfinance, insurance facilities to individuals, and financial literacy refers to an individual’s skills and knowledge to make sound financial decision.

Financial Inclusion

Financial inclusion is described as a priority sector aspect in which people and businesses in both urban and rural areas have access to useful and affordable financial products and services, such as transactions and payments. Access to a transaction account is the first step towards broader financial inclusion, since a transaction account allows people to store and send money and receive payments.

Financial Literacy

As defined by OECD, which defines it as “a combination of financial awareness, knowledge, skills, attitude and behaviors necessary to make sound financial decisions and ultimately achieve individual financial well-being.” Financial literacy imparts ordinary knowledge about the usage of financial products and services. It is about perfect knowing of foundations rules of banking, financial markets, budgeting, planning for financial aspects say, saving and investments, possessing awareness, the key digital financial skills to operate the innovative financial aspects and mainly, about being “Financially Self-sufficient.”

The awareness of financial education is not only essential for every person, that is, households, farmers, businessmen, agri-entrepreneurs to manage their income and expenses and channelize them to secure investment avenues to create wealth for minimizing future risk; financial awareness programmers should be designed to fulfill the financial needs of the individuals.

Investments Patterns

Investment patterns are aspects of finance that not only create capital for the future, but also mitigate the risk of customer segmentation as one of the most important tasks in retail banking. This is the use of money to generate more income and increase the valuation of assets. Investment can be done through various financial assets, including the purchase of deposit schemes, mutual funds, Share/securities, Bonds, paper financial assets, cryptocurrencies, and assets such as gold and real estate. Thus, an investment pattern is an investment in multiple

investment avenues with the aim of minimizing financial risk and reaping the return.

Objectives

The objectives of the study are:

- To know the Status of the financial inclusion in the rural areas of Indore District.
- To check the Level of Financial Literacy and Investment patterns of rural people in Indore District.

Research Methodology

This research is a descriptive study that is based on primary and secondary data. Primary data were collected with the help of a suitable questionnaire, and secondary data were gathered from various sources, such as textbooks, magazines, annual reports, journal articles, and the Internet. To determine the Status of Financial Inclusion, access to the level of Present Financial literacy and Investment patterns survey was conducted in the village, and Tehsils Regions (rural, semi-rural areas) were chosen randomly from the Indore district of Madhya Pradesh by asking questions. For this purpose, 90 people were selected on a random convenience basis. The majority of respondents had language issues; therefore, data were collected through an explanation method. The questionnaire was divided into two parts. The first part dealt with socio-demographic aspects: Age, Gender, Income, Education, and profession, and the second part involved financial inclusion, financial literacy, and investment-related aspects.

Analysis and Interpretation

Socio-Demographic Profile of the People

Table 1: Age

Age of the Peoples (Years)	Frequency	Percentage
Less than 25	20	22
25 to 40	41	46
More than 40	29	32
Total	90	100

Source: Survey data.

From the above table of age wise classification of the rural people, it can be concluded that out of the total 90 people, 46% of them belong in between the age group of 25-40 years, 32% rural people are in the age group of more than 40 years, only 22% are in the age group of below 25 years. It seems that the majority of respondents were middle-aged.

Table 2: Gender

Gender	Frequency	Percentage
Male	52	58
Female	38	42
Total	90	100

Source: Survey data.

From the given gender wise classification of the respondents it can be said that out of the 90 surveyed people majority 58% are the male and 42% of them are female.

Table 3: Literacy Level

Literacy Level	Frequency	Percentage
No Formal Education	21	23
High School	28	31
Higher Secondary	22	25
Graduation and PG	19	21
Total	90	100

Source: Survey data.

The above table indicates that, out of the total respondents, 56% of the people in the rural and semi-rural areas had education at high school and Higher Secondary levels, 21% had graduated and had graduated, and only 23% had no formal education. This reveals that the majority of the populations in the rural and semi-rural areas have high school and matriculate-level education.

Table 4: Income Level

Income Level	Frequency	Percentage
Below 25000	53	59
Rs. 25000 to 50000	23	26
Rs. 50000 to 100000	11	12
More than 100000	3	3
Total	90	100

Source: Survey data.

The above table shows that the level of income is not very good. Only 3% respondents had an income more than

Rs. 100000 while around 38% respondents having their incomes from Rs. 25000 to Rs. 100000. Most (59%) of the rural population had an income of less than 25000.

Table 5: Work Profile/Profession

Age (Years)	Frequency	Percentage
Households/ Farmers	44	49
Labours	18	20
Own Business	7	8
Private or Govt Job	21	23
Total	90	100

Source: Survey data.

On the basis of above table, it can be said that 49% respondents are farmers and households, 20% respondents are labours; only 23% are doing any job, and 8% of the respondents have their own business. This shows that most rural people in the study area are mainly dependent on households/farming activities.

Financial Inclusion, Financial Literacy and Investment related aspects of the Rural People

Table 6: Area of Living

Age (Years)	Frequency	Percentage
Rural (Villages)	62	68
Semi-rural (Tehsils)	28	32
Total	90	100

Source: Survey data

From the above table of living area classification of the respondents surveyed 68% are lives in the rural areas i.e Villages and 32% of the people lives in the semi-rural areas.

Table 7: Access to Bank Branch in the Area

Response	Frequency	Percentage
Yes	31	34
No	59	66
Total	90	100

Source: Survey data.

From the above table, it can be seen that only 34% of rural people confirmed the availability of bank branches in their village areas, and 66% of the people said that there is an absence of bank branches. Majorly there are two

public sector banks namely, State Bank of India, Bank of India and one RRB (Madhya Pradesh Grameen bank) are available in the Rural areas taken in the study.

Table 8: Holds Bank Account

Age (Years)	Frequency	Percentage
Yes	52	58
No	38	42
Total	90	100

Source: Survey data.

From the above, it is summarized that out of the total 90 respondents, 58% people own bank accounts and 42% of them doesn't have their bank account, showing that people in the areas have basic banking accounts.

Table 9: Type of Account Hold

Age (Years)	Frequency	Percentage
Basic Saving Bank A/C	41	45
Fixed Deposits A/C	26	29
RD and Current A/C	23	25
Total	90	100

Source: Survey data.

As per the above table, of the people who have bank account, 45% of respondents have basic savings bank accounts and 26% have fixed deposit accounts. Only 23% of the respondents had their current accounts and recurring accounts in banks.

Table 12: Literacy Level of Banking Products and Services

Banking Services	Not Aware		Aware & Using		Aware & Not Using	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Debit cards	24	26	49	55	17	19
Credit cards	33	36	16	18	41	45
Internet Banking	45	50	19	21	26	28
Mobile/App Banking	41	45	23	25	26	29
Payment Wallets	17	18	53	59	20	22

Source: Survey data.

From the above table, it can be concluded that out of the total 90 respondents majority of them 55% aware of debit card facility and used it for the purpose of cash withdrawal, and 19% are aware but not using the debit card in case of credit card majority, 36% of the rural people are not aware about, 51% people are aware but not using the credit card

Table 10: Account Opened Via

Age (Years)	Frequency	Percentage
PMJDY	34	38
Directly with Bank	26	29
Through Bank correspondents/ Kiosks	30	33
Total	90	100

Source: Survey data.

From the above data shown in the table, it is seen that 38% of the respondents have opened their bank accounts under PMJDY, 29% of the peoples opened their accounts directly from bank only, and 33% of the people opened their accounts with the help of Bank Correspondents/ Kiosks.

Table 11: ATM Facility in the Nearby Area

ATM Facility	Frequency	Percentage
Yes	27	30
No	63	70
Total	90	100

Source: Survey data.

From the above data, it can be found that in the majority of the selected rural areas, there is a lack of ATM facilities (70% of the respondents said), and only 30 of the respondents confirmed ATM availability in their area.

facility only 18% rural people are aware and use the credit cards.

Internet banking majority 50% of the rural people are not aware about and 28% people are aware but not using the Internet banking facility only 21% rural people are aware and use the credit cards.

Out of the total 90 respondents in the rural and urban areas 45% of the rural people are not aware about internet and 29% people are aware but not using the mobile banking facility only 25% rural people are aware and using the Mobile banking.

In case of payment wallets majority 18% of the rural people are not aware of this facility, 22% people are aware but not using the payment wallets 59% rural people are aware and use the wallets for payments.

Table 13: Have Loan Account

<i>Loan Account</i>	<i>Frequency</i>	<i>Percentage</i>
Yes	24	26
No	66	73
Total	90	100

Source: Survey data

From the survey data, it can be seen that 73 percent of the respondents do not have loan accounts and only 26 percent of the respondents have loan accounts. Most rural people have not taken loans.

Table 14: Bank-Aadhar Linkage

<i>Bank Adhar Linkage</i>	<i>Frequency</i>	<i>Percentage</i>
Yes	33	36
No	57	64
Total	90	100

Source: Survey data.

It was found that the majority of the rural and semi-rural people, 64% of the respondents, said that they have their bank account is not with the aadhar and the remaining 36% of the respondents have linked their bank account with aadhar.

Table 15: Interest in Saving and Investment

<i>Interest in Saving & Investment</i>	<i>Frequency</i>	<i>Percentage</i>
Yes	64	71
No	26	29
Total	90	100

Source: Survey data.

From the survey data, it is seen that 71% of the respondents in the rural and semi-rural areas have a keen interest in

investing their savings in safe avenues, and only 29% of the respondents did not have an interest in saving and investing.

Table 16: Percentage of Income Invest

<i>Percentage of Income Invest</i>	<i>Frequency</i>	<i>Percentage</i>
0–20%	32	35
20–30%	37	41
30–50%	18	20
More than 50%	3	4
Total	90	100

Source: Survey data.

The above table gives the idea about the percentage of income that rural people keep as an investment, so majority of the respondents 41% invest their 20-30% income and 35% percentage of the respondents keep their up to 20% income as an investment, 20% people investment 30-50% income, and very less 4% rural people invest their maximum 50% income .

Table 17: Saving and Investment Objective

<i>Objective</i>	<i>Frequency</i>	<i>Percentage</i>
Children's Education/ Marriage	46	51
Home purchase	24	27
Safe way to save money	4	5
Healthcare	16	18
Total	90	100

Source: Survey data.

From the above data, it is observed that out of the rural and semi-rural people surveyed, a maximum of 51% of respondents save and invest their income for the purpose of children's Education or Marriage, 27% invest in Home purchases, 18% people save and invest in healthcare purposes.

Table 18: Preferred Avenues of Investing Instrument

<i>Preferred Avenues</i>	<i>Frequency</i>	<i>Percentage</i>
Bank deposits	57	63
Gold/ real estates	16	17
Share Markets	3	4
Insurance	14	16
Total	90	100

Source: Survey data.

From the survey data, it can be understood that 63% of respondents prefer bank deposits as saving and investment avenues, 33% keep their money in the gold/real estate/insurance, and only 4% of rural people use share market investment avenues for investment purposes. This means that there is a special need for the awareness of various investment avenues.

Summary of Findings

Keeping the eyes on the objectives and research methodology of the paper, the researcher summarized the major findings as follows:

- It was inferred from the data analysis that the majority of the respondents were middle-aged; that is, they belonged to the age group of 25–40 years.
- Results indicate that out of the total 56% of the people in the rural and semi-rural area have education of high school & Higher Secondary level, 21% are graduated and post graduated and only 23% Respondents have no formal Education.
- Among 90 respondents, majority of the Respondents (49%) were engaged in the household and Agriculture related activities women are married that is 76% and level of income was not very good, the income level of the most of the people in the rural and semi-rural areas surveyed are below 25000 per month.
- It is observed from the data analysis that the majority (66%) of the people in the rural and semi-rural areas undertaken in the study are still unbanked despite financial inclusion efforts by the banking sector. The SBI, Bank of India, and Madhya Pradesh Grameen banks perform banks in the selected areas.
- In the case of bank account holding patterns, basic savings bank account holders are in majority, and most of them opened their bank accounts under the pradhan mantra jandhan scheme PMJDY and used bank accounts for availing salaries, gas subsidies, and pension services; hence, they have linked bank accounts to adhar. Still very less rural people most of have other Deposit Accounts.
- It can be concluded from the result there is lack of majority of public and private sector banks in the rural and semi-rural areas and distance of bank from Respondent's home is also far so they do not visit the bank branch regularly.
- This reflects that due to the lack of ATM facilities in villages, lower income and lack of good education in rural and semi-rural areas are unable to operate ATM properly.
- It is revealed that mobile penetration is very less among the Rural and semi-rural people in the selected areas in the out of the total 90 Respondents majority of them aware of Debit card facility, awareness, users of credit cards, internet banking, mobile/application banking / payment wallets very low less as compared to debit cards. Most of the Respondents in the area are aware but not using the services due to the low funds, insecurity and lack of literacy.

Suggestions and Recommendations

- As findings indicate that there is lack of physical branches of banks in rural and semi-rural areas especially in selected regions so there is special need to open more bank branches. State bank of India, BOI, RRB (Madhya Pradesh Grameen bank) are the major banks providing services so to offer variety of the services other Commercial banks, Small finance banks, payment banks should be open their branches to cover entire section of the society.
- Due to low income the rural people in the area of Indore district have less savings and unable to take credit. Hence banks should promote the small savings schemes, credit and should adopt Business correspondents to reach out at the doorstep in the rural areas.
- As it is seen that there is lack of ATM facility in the area and usage rate of ATM is very rare there is strong need to introduce more ATMs which can promote core banking, and transactions like cash deposit, cash withdrawal, and balance enquiry.
- For the promotion of financial inclusion the bank SHG linkage program should be chosen.
- Banks should conduct financial awareness camps in local language through door to door step banking approach using mobile vans regarding financial literacy in rural areas to create financial awareness.

- There exists gap between banker and customers due to local language barrier sometimes bank employees do not understand actual need of the customers and rural people are afraid to visit bank branch independently, fill the withdrawal and deposit slip, so there is a requirement to provide training and counseling by bankers to the rural people for efficient, effective and error free banking transactions.

Conclusion

Financial Inclusion and Financial Literacy are the two major aspects that are necessary to boost Economic Health of the country. As Inclusion of Financial services deals with the easy access of banking products to each and every section of the economy. Financial Literacy enhances the valuation of the individuals and provides the skills to manage their financial requirements and monetary savings to increase the value of savings and investment. People especially in the rural areas in the country. The present study was focused to know the Status of Financial Inclusion, Level financial literacy and determine the saving and investment habits of rural people in the Indore District of Madhya Pradesh. With the help of data sample of 90 respondents from the rural and semi-rural areas it can be concluded that rural people have a strong desire to Secure their future and plan their monetary saving and investment but face issues and challenges due to insufficient access to financial products and services at their own place. The study provides valuable insights into the saving and investment patterns of rural and semi-rural people with the help of those findings the banking intuitions should frame policies promote financial literacy campaigns in rural and semi-rural areas of the selected district.

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