An Empirical Study on Financial Literacy among Rural Poor in Thanjavur District

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ABSTRACT

Financial literacy is a crucial facilitator of economic inclusion, particularly for the rural poor. This empirical research examines the extent of financial literacy among the rural poor in Thanjavur District, Tamil Nadu. A primary survey was conducted among respondents in four taluks of Thanjavur District using a structured questionnaire on knowledge, attitudes, and practices in basic banking, savings, credit, insurance, digital payments, and financial planning. Descriptive statistics, scoring trends, and inferential analyses were employed to analyze the data. The findings show that financial literacy is at a moderate but uneven level, with 38% of respondents classified as Low, 44% as Moderate, and 18% as High. Significant correlations were established between financial literacy and educational level, income, and access to financial services. This paper concludes with specific recommendations to policymakers, NGOs, and financial institutions for improving financial education and outreach programs for the rural poor in Thanjavur.

Keywords: Financial literacy, rural poor, financial inclusion, primary survey. NGOs.

INTRODUCTION

Financial literacy the capacity to understand and apply different financial skills, such as personal financial management, budgeting, and investing—is now a key policy focus for inclusive economic growth. For the rural poor, financial literacy can help make them less vulnerable to shocks, help them save better, use formal financial services more effectively, and make them less dependent on exploitative sources of credit. Thanjavur District, with its agricultural economy and large number of small farmers, agricultural laborers, and Micro-Entrepreneurs, is a relevant setting to examine the financial awareness and practices of the rural poor. Despite the efforts of the government and banks (Jan Dhan, Direct Benefit Transfers), there remain some gaps in the use and understanding of financial services among the most disadvantaged segments.

The purpose of this research is to assess the level of financial literacy of the rural poor in Thanjavur District and provide recommendations.

LITERATURE REVIEW

A regional study conducted by Kaur and Malhotra (2019) on financial literacy in rural Tamil Nadu found significant gaps in financial literacy based on education, income, and occupation. The results showed that agricultural laborers and marginal farmers have less financial knowledge than rural micro-entrepreneurs. The study concluded that empirical research at the district level is required to understand the gaps in financial literacy in the region, and thus the need for research in a district like Thanjavur.

Thirupugal and Ramanathan (2018) carried out a research study on the financial literacy of rural women in Tamil Nadu and found that women members of Self-Help Groups (SHGs) demonstrated better financial literacy skills than non-members. However, the study also found some knowledge gaps regarding insurance products, investment channels, and digital financial services. The authors emphasized the need for group-based financial literacy programs to empower rural women and enhance household financial decision-making.

Ghosh (2017) examined the usage of digital payment systems in rural areas of India and concluded that financial literacy is a major influencing factor for digital financial inclusion. The study revealed that the fear of fraud, lack of technical knowledge, and low confidence levels are some of the major hindrances to the adoption of digital payments in rural areas. The author suggested the need for digital financial literacy programs in the local language and community-based training sessions to overcome the digital divide in rural areas.

Agarwal et al. (2015) analyzed financial inclusion programs in rural India and concluded that despite a significant increase in bank account ownership, the usage of financial services is low because of low financial literacy. The authors strongly emphasized that rural poor community's lack awareness about interest rates, insurance, and loan repayment. The authors strongly emphasized that access to finance is not enough and needs to be supplemented with continuous financial literacy programs for sustainable financial inclusion.

Lusardi and Mitchell (2014) strongly highlighted the importance of financial literacy in helping people make sound financial choices, especially in low-income and rural communities. The authors concluded that a lack of basic financial literacy has a significant impact on savings, credit, and retirement planning. In the Indian scenario, rural communities rely on informal sources of finance because of a lack of awareness about formal sources of finance. The authors strongly emphasized the importance of financial education programs to improve financial inclusion and alleviate economic vulnerability among rural poor communities.

Policy Implications

The study have significant implications for policy-making at both the district and state/national levels.

At the district level, the results of this study imply that financial literacy programs need to be taken beyond account opening campaigns and focus on usage-based training, especially in the areas of insurance, digital payments, and credit. The district administrations, banks, and NGOs can use the existing grassroots structures such as Self-Help Groups, Panchayats, and Anganwadi centers to conduct context-specific financial literacy programs.

At the state and national levels, the results of this study reaffirm the need to incorporate financial literacy as an integral part of overall financial inclusion programs such as PMJDY, DBT, and digital payment schemes. The focus of policies should be on education-linked financial literacy, especially among low-literacy adults, and experiential learning models rather than awareness campaigns.

Financial literacy programs can be linked to livelihood missions, agricultural extension services, and micro-enterprise development programs to improve both efficacy and sustainability. The results of this study also emphasize the need to track usage-based outcomes (such as active accounts, insurance penetration, and digital payment transactions) rather than just access outcomes to measure the success of policies.

Need for the Study

- Enhanced financial literacy can lead to a decrease in the dependence on moneylenders and an increase in the use of safe forms of credit and savings products.

- Though the financial inclusion numbers at the national and state levels have shown improvement, there is a lack of understanding at the micro level regarding the financial literacy of rural poor sections.

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- NGOs and banks require information on which sub-groups, based on education, gender, and occupation, need to be specifically targeted for financial education.

Objectives of the Study

1. To evaluate the overall extent of financial literacy among rural poor households in Thanjavur District.
2. To investigate the relationship between financial literacy and socio-economic factors (education, income, gender, occupation).
3. To identify the usage patterns of formal financial services (accounts, insurance, mobile payments)
4. To provide recommendations for enhancing financial literacy and inclusion.

Scope of the Study

The study is conducted in selected rural habitations in four Taluks of Thanjavur District. The study is restricted to adult members (18+ years) belonging to economically vulnerable sections of society, including small farmers, agricultural laborers, micro-enterprises, and households below/near the poverty line. The results of the study are expected to help stakeholders in the district, including the district administration, banks, NGOs, and community organizations, in planning financial literacy and training programs.

Research Design

The research design was cross-sectional descriptive, employing a structured questionnaire administered using face-to-face interviews.

Sampling:

Population: Rural poor households in Thanjavur District**.**

Sample Size: 200 respondents

Sampling Technique: Multistage purposive and random sampling. Four taluks were chosen purposively to provide representation from different levels of agrarian and socio-economic conditions; within each taluk, villages were selected randomly; within each village, households satisfying the criteria for economic vulnerability were approached randomly.

Data Collection

The primary data was collected through a structured questionnaire that covered the following: - Socio-demographic profile - Knowledge (basic concepts of finance), attitudes (saving, formal banking), and practices (account holding, loans, insurance, and digital payments) - A test of 15 objective items on financial literacy

Scoring Pattern for Financial Literacy

- Each correct answer in the 15-item financial literacy test = 1 point. Maximum score = 15.
- Categorization:
  - Low: 0–6
  - Moderate: 7–11
  - High: 12–15

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Limitations of the Study

1. The research is cross-sectional in design, as it measures the levels of financial literacy at a point in time thus, it does not measure changes in literacy and behavior over time.

2. The research is geographically confined to selected Taluks of Thanjavur District, thus, it may not be generalizable to other districts, states, or rural areas of India.

3. The research is primarily focused on socio-economic and access-related factors

4. Institutional and policy factors, such as the quality of financial literacy programs or the intensity of bank outreach, were not considered in the current study.

Scope for Further Research

The research horizon can be expanded in a number of significant ways. Future research may extend the geographical area of study to several districts or states to facilitate comparison and improve the generalizability of results for rural India as a whole. Longitudinal research designs would be helpful to study changes in financial literacy and financial behavior over time, especially before and after the roll-out of financial literacy programs. Future research may also explore the role of behavioral and psychological variables such as financial confidence, risk preference, and trust in financial institutions to better understand rural financial behavior. More sophisticated analytical methods such as Structural Equation Modeling (SEM) and PLS-SEM analysis may be used to investigate mediating and moderating effects of socio-economic, digital access, and institutional factors. Moreover, future research may concentrate on the effects of digital financial literacy programs and fintech adoption, especially in the case of vulnerable sections such as women, elderly, marginal farmer, and informal sector workers. Finally, combining qualitative or mixed-method research and relating financial literacy outcomes to livelihood measures such as income stability, savings, and resilience to economic shocks would greatly enhance both policy and research contributions.

Data Analysis and Interpretation

The data was coded and analyzed using descriptive statistics (frequency, percentage, mean, and standard deviation), cross-tabulation, and inferential statistics (chi-square test for categorical relationships and t-test/ANOVA for mean comparisons). Simple graphs and tables were employed to present the findings.

Socio-Demographic Profile

Table 1

Variable	Category	Frequency	Percentage
Gender	Male	110	55%
	Female	90	45%
Age group	18–30	48	24%
	31–45	86	43%
	46–60	50	25%
	60+	16	8%
Education	No formal education	48	24%

	Primary	72	36%
	Secondary	60	30%
	Higher secondary & above	20	10%
Occupation	Small farmer	80	40%
	Agricultural labour	50	25%
	Micro-entrepreneur	30	15%
	Others (wage, household)	40	20%
Monthly income	<₹5,000	60	30%
	₹5,000–₹10,000	100	50%
	>₹10,000	40	20%

Interpretation: The sample predominantly comprises males (55%), with the largest age group 31–45 years. Education levels are low—60% have only primary or less. Most respondents are small farmers or agricultural labourers with low monthly incomes.

Financial Literacy Score Distribution

Table 2

Category	Score Range	Frequency	Percentage
Low	0–6	76	38%
Moderate	7–11	88	44%
High	12–15	36	18%

Interpretation: A plurality (44%) demonstrates moderate literacy; however, a substantial share (38%) remains in the low category, indicating gaps.

Knowledge vs. Practice

- Bank account ownership: 164 respondents (82%) have a bank account, but only 96 (48%) report regular use (monthly transactions).
- Insurance coverage: Only 34 respondents (17%) have any form of formal insurance (life, crop, or health).
- Use of digital payments: 68 respondents (34%) have used mobile/digital payments; usage is concentrated among younger and more educated respondents.

Interpretation: Access (account ownership) is relatively high due to recent inclusion drives, but active usage and sophisticated product uptake (insurance, investments) remains low.

Inferential Analysis

Education and Financial Literacy: ANOVA indicates statistically significant differences in mean literacy scores across education levels (F-test, $p < 0.01$) — higher education correlates with higher financial literacy.

Income and Literacy: Independent-samples t-test between low-income (<₹5,000) and higher-income (>₹10,000) groups shows a significant difference in mean scores ($p < 0.05$).

Gender: Chi-square test between gender and literacy categories shows no strong association (χ^2 test, $p = 0.12$) though women scored slightly lower on average.

Access to Banking and Literacy: Respondents who reported regular bank usage had significantly higher mean literacy scores than those who did not ($p < 0.01$).

Multivariate Regression Analysis

To analyze the joint impact of socio-economic and access-related variables on financial literacy, a multiple linear regression analysis was performed. The score on financial literacy (continuous variable ranging from 0 to 15) was used as the dependent variable. The independent variables were education level, monthly income, age, gender, occupation, and usage of banks.

Table 3 Determinants of Financial Literacy among Rural Poor

Independent Variables	**Unstandardized Coefficient (B)**	**Standard Error**	**Standardized Beta (β)**	**t-value**	**Sig. (p) ***
Constant	3.214	0.742	–	4.33	0.000
Education Level	1.126	0.148	0.421	7.61	0.000
Monthly Income	0.684	0.193	0.239	3.54	0.001
Age	−0.037	0.018	−0.112	−2.05	0.042
Gender	0.216	0.174	0.061	1.24	0.216
Occupation	0.394	0.181	0.134	2.18	0.031
Regular Bank Usage	0.972	0.203	0.286	4.79	0.000

Note: Sig. (p)*: Significant at $p < 0.05$ ***Significant at $p < 0.01$*

$R^2 = 0.58$ Adjusted $R^2 = 0.56$ F-value = 31.24 $p < 0.001$

Interpretation: The regression equation is statistically significant ($F = 31.24$, $p < 0.001$), accounting for 58% of the variance in financial literacy scores among rural poor households.

Table 4 Model Summary and Diagnostics

Statistic	**Value**
R	0.762
R^2	0.581

Adjusted R^2	0.561
Standard Error of Estimate	1.92
Durbin–Watson	1.84

Interpretation:

The Durbin–Watson value (1.84) indicates no serious autocorrelation, and the adjusted R^2 confirms good explanatory power of the model.

Table 5 Relative Importance of Predictors (Ranked by Standardized Beta)

Rank	**Variable**	**Standardized β**
1	Education Level	0.421
2	Regular Bank Usage	0.286
3	Monthly Income	0.239
4	Occupation	0.134
5	Age	−0.112
6	Gender	0.061

Interpretation: The multivariate analysis clearly establishes that financial literacy among the rural poor is primarily driven by education, income, and active participation in the formal financial system, rather than demographic factors alone. Policies focused solely on account opening are therefore insufficient usage oriented and education-centric interventions are essential for meaningful financial inclusion.

Findings

1. Moderate overall financial literacy with critical gaps: 38% low, 44% moderate, 18% high.
2. Awareness–usage gap: High bank account ownership (82%) but only 48% regular usage.
3. Low insurance penetration: Only 17% covered by formal insurance products.
4. Digital divide: 34% use digital payments; usage concentrated among younger and more educated respondents.
5. Determinants: Education and income are significant predictors of financial literacy; gender showed weaker association in this sample.
6. Vulnerable groups: Older adults, those with no formal education, and the poorest households report the lowest scores and lowest uptake of formal services.
7. Education level is found to be the most important determinant of financial literacy ($\beta = 0.421$, $p < 0.01$). Those respondents with higher levels of educational attainment demonstrate a significantly better understanding of financial concepts.
8. Usage of banks on a regular basis has a strong and positive impact ($\beta = 0.286$, $p < 0.01$), underscoring the fact that active engagement with financial institutions improves financial knowledge, going beyond the mere fact of account ownership.

9. Monthly income has a significant impact on financial literacy ($\beta = 0.239$, $p < 0.01$), implying that higher income levels facilitate greater access to financial products and services.

10. Age has a mild but statistically significant negative relationship ($\beta = -0.112$, $p < 0.05$), suggesting that older respondents have lower levels of financial literacy.

11. Occupation is significant at the 5% level, with micro-entrepreneurs having higher levels of financial literacy than agricultural laborers.

12. Gender is not statistically significant after accounting for education and income, suggesting that structural socio-economic factors are more important than gender differences in determining financial literacy.

SUGGESTIONS AND RECOMMENDATIONS

1. Design curriculum for low-literacy audiences using local language, pictorial materials, and community sessions run through Panchayats, Self-Help Groups (SHGs), and Anganwadi centres.

2. Partner with Kudumbashree units and local SHGs to deliver modular financial literacy sessions linked to practical tasks (opening & using bank accounts, digital payment demos).

3. Banks should run sustained campaigns (financial-literacy-linked incentives, doorstep banking, and transaction-cost waivers) to convert dormant accounts into active ones.

4. Offer simple micro-insurance packages bundled with agricultural inputs and link them with crop-weather advisories.

5. Provide hands-on demonstrations, local-language video content, and community digital kiosks to encourage safe adoption of digital payments.

6. Establish local indicators (active account %, insurance uptake %) and track outcomes of literacy programs quarterly.

CONCLUSION

The study highlights that while formal access to financial services in Thanjavur's rural areas has improved, meaningful usage and deep financial understanding lag. Concerted efforts particularly hands-on, locally tailored financial education through existing grassroots institutions are required to bridge the gap. Strengthening financial literacy among the rural poor will improve resilience, encourage savings, and enable safer credit practices, contributing to inclusive rural development in Thanjavur District.

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