ABSTRACT

Rural people face numerous constraints in accumulating assets from their savings. Lack of financial literacy and available investment avenues make it challenging for rural investors. Most of the time, due to lack of guidance, the savings are kept idle. As the financial literacy among rural people due to less concentration by market intermediaries than cities, their motive will be safety rather than taking advantage of financial opportunities. This study analyses the impact of Financial Literacy initiatives by the Government of India, Market Intermediaries and self-regulatory organisations focus on rural investor population is ascertained based on opinions collected using well-structured questionnaire among rural investors.

Keywords: Investor Associations, MCX-SX – Multi Commodity Exchange – Stock Exchange, demat – Dematerialisation Account

JEL: O16 - Financial Markets; Saving and Capital Investment

I. INTRODUCTION

In any household, the financial security is vital as it helps not only smooth consumption, but also to deal with emergencies. Most of the rural savings go into informal savings avenues like gold, chit funds and real estates and most predominantly bank deposits. It is observed from the speech of Mr.P.VijayaBhaskar, Executive Editor- RBI at the MFIN and Access-Assist Summit held at New Delhi on December 10, 2013 that only 58.7% of households are availing banking services in the country as per census 2011. The inauguration of MCX-Stock Exchange Ltd dated February 09, 2013, Mr.Joseph Messy the then MD & CEO of MCX-SX stated that, only 18 million among the population of over a billion invests in equities and 10 cities contributed to over 80% of trading volume in India stock exchanges. The sectoral Report of India Brand Equity Foundation dated August 2015 states that the Indian financial sector is primarily a banking sector with commercial banks accounting for more than 64 per cent of the total assets held by the financial system. The contribution of financial services sector to the country’s gross domestic product (GDP) accounting for nearly 6 per cent share in 2014-15.

A study conducted by SEBI (Security Exchange Board of India), reveal that gold, either in primary or in jewellery form, still remain the second most preferred option among the Indian public after bank deposits. The gold consumption in India last year stands at 850 with the assessment of 13,000 tonnes of gold in private hands, which is currently not part of the mainstream economy. Rural households saved their income in both monetized as well as non-monetized forms. Moreover, some of the monetized savings are held in the form of physical assets. Thus, only those monetized savings invested in financial assets in the informal rural financial market (RFM) can be considered as potentially mobilised by the financial agencies. Institutionalization of such savings would improve their efficiency by promoting better allocation among different areas, sectors, economic activities, and also to entrepreneurs.

II. SAVINGS AND INVESTMENT

Savings and Investment of individuals of an economy are the two variables by which the strength of an economy can be measured. As per International Monetary Fund, World Economic Outlook (April-2015) dated June 03, 2015 The Indian economy stands at 7th place in the world in terms of Nominal GDP and 3rd in terms of Purchase Power Parity (PPP). The “Savings” of any individual are usually put into safest places, products that allow individual to access to his money at any time he desired. Rural investors are not exposed to various risky financial products due to lack of literacy and characteristics of financial products with high risk. The outcome of the survey by Invest India Incomes and Savings Survey 2007 by “IMS Dataworks”, a retail financial research firm based in Greater Noida, India shows that 81% of survey respondents said that the
insurance premium formed a part of their investment. There are only 23.3 million demat accounts with CDSL and NSDL with 5.8 million demat accounts amongst 321 million salaried individuals in India and close to 60% do not set aside any money to save in financial instruments. There were 67% of these account holders are from big metros and Tier-I towns. SEBI statistics July 2014 shows that investments from other towns and villages stands at 21.6% for BSE and 9.5% on NSE of total market turnover. This raised a concern among the market regulator that lower penetration level of demat account among rural and semi-urban area.

III. FINANCIAL LITERACY PROGRAM INITIATIVE

P. Chidambaram, the then Finance Minister in the year 2007 has stressed the prerequisite for financial literacy and instilling confidence among investors sighting major stock market scams effected investors investments at the launch of aliteracy booklet for first-time investors, called “Pehla Kadam” meaning “first step”. He also highlighted the need for spreading financial literacy right from the school level. Literacy Programmes (FLPs) are conducted across India with the objectives of creating literacy amongst the investors about fraudulent schemes and facilitating informed investment decisions by the Ministry of Corporate Affairs (MCA) in association with the Institute of Chartered Accountants of India (ICAI), Institute of Company Secretaries of India (ICSI) and Institute of Cost Accountants of India (ICWAI). During the period 01.04.2012 to 28.02.2015, 6402 Literacy Programmes have been organized as per Press Information Bureau report, Ministry of Corporate Affairs dated March 13, 2015 SEBI conducts Literacy Programs through Resource Persons, 27 Investor Associations registered, Stock Exchanges, Depositories and Registered Stock Brokers. SEBI and Stock Exchanges also conduct mass media campaigns with regard to fake investment schemes. The RBI’s initiatives in financial education called “RBI’s financial literacy project – 2007 initiated conducting Road Shows, participation in exhibitions, financial education camps in remote places, Essay and Quiz competitions, Visit to RBI for school children’s and also having opportunity to have more than 630 Financial counselling\ Literacy centres across India apart from 155 FLC’s as on June 2015 by banks in India as per the report the RBI report conducted Financial Literacy and Literacy Programs across India.

IV. REVIEW OF LITERATURE

“The Impact of Financial Literacy Education on Subsequent Financial Behaviour” by Lewis Mandell and Linda Schmid Klein was published in the Journal of Financial Counselling and Planning (Volume 20, Issue 1 2009). The authors studied the impact of Financial Literacy education and its impact on 79 high school students of a personal financial management and concluded that there is a positive impact of financial education among Investors. “Numeracy, financial literacy and participation in asset markets” by Johan Almenberg and OlofWidmark published their article dated (April 22, 2011) available atwww.papers.ssrn.com with the abstract Id: 1756674 with the conclusion of their study that financial literacy has a direct link to household savings and investment in financial assets. “Financial literacy and income level influences on the savings and investment pattern of urban city households” an empirical study with special reference to the Coimbatore city by Bindhu. P. K (March 13, 2015) of Bharatiar University concluded that there is a lack of financial literacy among households in Coimbatore. “Relationship between Financial Literacy and Investment Behaviour of Salaried Individuals”, by Puneet Bhushan (Journal of Business Management & Social Sciences Research, Volume 3, No.5, May 2014) studied the level of financial literacy and its impact on Investment behaviour of Salaried Individuals and concluded that individual with low financial literacy invest in low risky investments and also emphasised that policy makers should take more initiative to increase financial literacy among individuals. National Statistical Commission (2001) chaired by Dr. C. Rangarajan states that the structure of the informal financial market is extremely heterogeneous. This sector comprises partnership firms, sole proprietary concerns, own account enterprises, financial auxiliaries such as share broking firms, loan brokers, Non- Governmental Organizations (NGOs) helping Self-Help Groups (SHGs), share brokers and traders, multanishroffs, pawnbrokers, chettiars, etc. Comparing between formal and informal financial institutions Narendra Gupta (2003) in his study reveals that the majority of people living in rural and semi-urban parts of India lack knowledge of the financial markets and fail to understand them.

V. STATEMENT OF THE PROBLEM

The need for knowledge and confidence among people is very much important for economic development which made the Government of India, Reserve Bank of India and market regulators such as SEBI, AMFI and Forward Market Commission to initiate Financial literacy across India. The goal of achieving financial inclusion can be achieved when industry also joins hands with regulators. The objective of literacy programs needs to address the concerns of small investors such as “what and where” to invest so that they can secure their future.

The Swarup Committee report on “Investor Literacy and Protection” titled “Financial Well-Being” dated March 17, 2009 states that Educating individuals in money matters is one of the toughest challenges faced by the national efforts in financial education across the world. This study examines the change in attitude towards investment in stock markets of the participants
of the program who are from rural background who has less exposure towards stock market characteristics.

VI. DATA, TOOLS AND METHODOLOGY

The study is analytical in nature. The data required for the study are primary in nature. Primary data are collected through well-structured questionnaire by adopting a random sampling method before and after the Financial Literacy Program from the same respondents. The attendees of Literacy Program conducted around rural parts of Coimbatore district during the 3rd quarter of 2015. The respondents are the prospective investors who may invest in shares in future. The collected data have been analysed by applying simple percentage analysis and paired ‘t’ test.

VII. ANALYSIS AND INTERPRETATION

To evaluate the impact of Literacy Program among rural people, paired “t” test is employed. Based on the data collected from 49 respondents attended FLP sponsored by BSE, NSE and SEBI around Coimbatore, the following data were received and deployed for statistical Analysis.

<table>
<thead>
<tr>
<th>TABLE – I: DEMOGRAPHIC FACTORS</th>
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<tr>
<td>Variables</td>
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<td>Gender</td>
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<td>Profession</td>
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<td>Medium of Education</td>
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<td>Education Background</td>
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<td>Impact of FLP</td>
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Based on the above table, it is evident that 65.3% participants are Male in Literacy Program and the age group of 21-25 which is higher and higher returns out of their investment is the major concern of the participants as expressed by 38.8%, followed by safety with 28.6%, Tax Savings with 10.2% and Capital Appreciation with 18.3% and liquidity with 4.1% of participants. There are 17 respondents having Investors as friends, but not influenced towards Stock Investments. 71.4% participants said that the impact of FLP is neither high nor low, but 46.9% participants may consider Investing in Stocks provided further interest from either of the parties shown.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Before</th>
<th>After</th>
<th>Paired ‘t’ Value</th>
<th>P Value</th>
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<tbody>
<tr>
<td><strong>Gender – Male</strong></td>
<td>0.667</td>
<td>0.862</td>
<td>-3.492</td>
<td>0.001*</td>
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<tr>
<td><strong>Gender – Female</strong></td>
<td>0.84</td>
<td>0.96</td>
<td>-1.809</td>
<td>0.083</td>
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<tr>
<td><strong>Back Ground – Rural</strong></td>
<td>0.795</td>
<td>0.918</td>
<td>-2.588</td>
<td>0.013**</td>
</tr>
<tr>
<td><strong>Back Ground – Urban</strong></td>
<td>0.592</td>
<td>0.815</td>
<td>-3.017</td>
<td>0.006*</td>
</tr>
<tr>
<td><strong>Income – Below 3 lakhs</strong></td>
<td>0.701</td>
<td>0.894</td>
<td>-3.659</td>
<td>0.001*</td>
</tr>
<tr>
<td><strong>Income – Above 3 lakhs</strong></td>
<td>0.789</td>
<td>0.894</td>
<td>-1.455</td>
<td>0.163</td>
</tr>
<tr>
<td><strong>Education – Arts &amp; Science</strong></td>
<td>0.622</td>
<td>0.866</td>
<td>-3.773</td>
<td>0.000*</td>
</tr>
<tr>
<td><strong>Education – Engineering</strong></td>
<td>0.871</td>
<td>0.935</td>
<td>-1.438</td>
<td>0.161</td>
</tr>
</tbody>
</table>

Source: Data collected using questionnaire from 76 participants of Financial Literacy Program
* Significant at 1% level
** Significant at 5% level

**VIII. PAIRED SAMPLE “t” - TEST**

Based on the result obtained from paired “t” test, it is evident that Male participants, participants from urban backgrounds having annual income less than 3 lakhs, educated in non-engineering courses have 1% significance which implies that the Financial Literacy Program had an impact on their perception towards investing in modern financial instruments. Whereas participants from rural background has 5% significance level, which shows that the more Financial Literacy Programs need to be organised focusing rural population so as to widen the investor net. The above table shows that female participants, engineering background persons and persons having annual income above 3 lakhs need to be addressed by narrowing the target based on their expectations by way of doing further research.

**IX. SUGGESTIONS**

The impact of Literacy Programmes conducted had helped increase investor base. There is a positive impact among the investors due to financial literacy programme initiative by Government of India and market regulators, which helped increase in trading turnover beyond the top 100 cities in India up to 30% from 466,000 clients in 2013-14 to 606,000 clients in the year 2014-15 as per the interview given to livemint.com by Mr. Ravi Varanashi, chief (Business Development), NSE India Ltd. This indicates that time has come to concentrate more on rural parts of India as the potential and need for financial literacy is evident from the increase in trading activity in recent years. It would be helpful to the first time investors, if the elements of the program designed in a way that the importance of safeguarding the money, planning for retirement, understand complex financial products, which may offer high rewards, but may be associated with high risks and to invest wisely, so as to maximize earnings and minimize risk exposure. The program can be customised to the need of customers based on demography’s. Resource Person and Investor Association can be encouraged to more programs in all parts of rural India. Advertisements in vernacular language using mass media such as Radio advertisement, make resources in local libraries, incorporating in elementary studies and building infrastructure beyond cities will help achieving government of objective in widening the investor net. This will help our economy to attain better heights soon.

**X. CONCLUSION**

Investors’ education, over the last few years, has assumed a very significant role in helping our economy to grow and ensuring that the fruits of economic development reach beyond metro and tier – I cities in India. The Government of India and market regulators appreciate the need for financial literacy among all groups of investors as each one constitute the economy. Financial literacy is not only the responsibility of regulators, but also the market intermediaries. This requires inclusive efforts of all the stakeholders – regulators, educational and professional institutes, market intermediaries, trade and business chambers and even corporate – to contribute their resources towards this objective. The declaration of “Investor Literacy
Month” on September 2007 by the Ministry of Corporate Affairs and activities to promote financial literacy and investor literacy among investors help widening the gap between market growth and expectations of investors from the market. SEBI Chairman during his interview to Business Line – The Hindu dated June 02, 2011 stated that there are only 8% of total savings are into equity which need to be increased. The statistics show that less than 1.5% of Indian population invests in Shares compared with almost 10 per cent in China and 18 per cent in the U.S. Just 2 per cent of India’s household savings are exposed to equity whereas in the U.S.A, the average is 45 per cent. The joint initiative of RBI, SEBI, IRDAI, PFRDA, FMC and NISM in the form of the National Centre for Financial Education (NCFE) under the guidance of Financial Stability and Development Council (FSDC) to create financial education materials and to conduct financial education and literacy campaigns to all sections of the population will help in achieving financial goals of the individuals irrespective of their background which will empower India.

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