Evaluating the Impact of Socio-Economic Variables on Financial Literacy Among Residents in Vidarbha: A Literature Review

Nagamani Sambarapu, Research Scholar, RTM Nagpur University, Nagpur
Dr. Sudhir Narnaware, Research Supervisor, RTM Nagpur University, Nagpur

Abstract

The purpose of this literature review is to analyse the relationship between financial literacy and a number of socioeconomic factors in the Vidarbha area of Maharashtra, India. Various socio-economic characteristics, including income, education, employment, age, gender, and geographic location, impact financial literacy, which is essential for good personal financial management and economic stability. This article finds important trends and patterns that affect financial literacy in the Vidarbha area by reviewing all available research and publications. This study sheds light on the differences and difficulties experienced by various demographic groups by demonstrating strong relationships between financial literacy levels and socio-economic characteristics. The report goes on to talk about how these results might help educators, politicians, and financial institutions in Vidarbha work towards their goals of increasing financial literacy and fostering equitable economic growth. To fill the gaps and enhance the financial well-being of Vidarbha's population, the report finishes with suggestions for targeted interventions and future research paths.

Keywords – Financial literacy, Socio-economic factors, Personal finance, Income disparities, Education and finance

Introduction

Achieving financial well-being and economic stability requires financial literacy, which is the capacity to comprehend and successfully employ different financial skills such as personal financial management, budgeting, and investing. The need of being financially literate is magnified in emerging areas like Vidarbha in Maharashtra, India. The Vidarbha area offers a one-of-a-kind setting in which to study the relationship between financial literacy and socioeconomic variables due to its varied socioeconomic circumstances and mostly agricultural economy.

One's degree of financial literacy is greatly affected by socio-economic factors such as their income, level of education, work position, age, gender, and where they live. Access to financial education and resources, as well as attitudes and behaviours towards money management, are both influenced by these variables. In order to foster equitable economic development and increase financial literacy in the area, it is essential to understand these factors.

The significance of financial literacy is becoming more acknowledged, but there has been a lack of thorough research in the Vidarbha area that concentrate on the socio-economic factors that influence it. To address this knowledge vacuum, this literature review combs through previous studies that have investigated the correlation between financial literacy and socioeconomic factors in Vidarbha. Policymakers, educators, and financial institutions in Vidarbha may benefit greatly from the insights provided by this article, which aims to improve financial literacy and promote socio-economic development by identifying significant trends, problems, and possibilities.

In what follows, this article will go into the steps used to conduct the literature review, provide an in-depth analysis of the results, and then explain the consequences of these findings for different parties. up order to fill up the gaps and improve financial literacy throughout Vidarbha's diverse socioeconomic categories, the evaluation will finish with suggestions for both theoretical and practical initiatives.

Objectives of the study

- To systematically review and synthesize existing research on financial literacy, focusing on its determinants and implications.

- To identify and categorize the socio-economic variables that influence financial literacy among residents of the Vidarbha region, including income, education, occupation, age, gender, and geographic location.
- To evaluate the impact of identified socio-economic variables on the financial literacy levels of Vidarbha's residents, highlighting patterns and correlations.

Research methodology

In order to determine how different socioeconomic factors affect financial literacy in the Vidarbha area, this research used a literature review approach. To kick out the research process, a plethora of academic databases were searched, including PubMed, Google Scholar, and JSTOR, to find pertinent studies, reports, and peer-reviewed publications published during the last twenty years. We used terms like "financial literacy," "socio-economic factors," "Vidarbha," "income," "education," "personal finance," and "economic development" to make sure we got a wide range of documents. Next, we conducted a critical review of the chosen studies to find any patterns, inconsistencies, or missing information on financial literacy and the socioeconomic factors that influence it. To provide a well-rounded and detailed picture of the subject, we looked at both quantitative and qualitative results. Methods also included organising socioeconomic factors into categories according to their impact on financial literacy and synthesising the main points into a unified story. To help educators, politicians, and financial institutions in Vidarbha enhance financial literacy and socioeconomic results, this organised technique was used to identify key patterns and relationships.

Literature review

The four cornerstones of a sustainable lifestyle are food, water, clothes, and a place to sleep. To provide employment opportunities and ensure access to fundamental requirements of life, economic activity is essential. A group of nations united in the pursuit of better policies for all citizens, the OECD strives to make the world a better place. Policymakers from many nations work together to foster long-term economic development. To improve one's lot in life, one must first be able to purchase the basics, which guarantees financial security. When people are financially well-off, they are better equipped to take care of their bills and have the freedom to make the decisions that will bring them happiness and satisfaction. In light of this need, the OECD/INFE Toolkit was created (OECD, 2022). In order to gather data on financial literacy, inclusion, resilience, and wellness in a nation and to compare it to other countries, this toolkit offers a framework for creating a questionnaire. The OECD surveyed the G20 nations using this instrument to measure financial inclusion and literacy.

Subsequently, 26 economies in Asia, Europe, and Latin America were surveyed for the G20/OECD INFE Report on Adult Financial Literacy in G20 nations (OECD, 2017), which added the additional dimension of financial resilience. According to the OECD/INFE 2020 International Survey of Adult Financial Literacy (OECD, 2020), being financially literate means being aware of money matters, learning about money, getting good at handling money, and behaving in a way that helps people and businesses make good financial decisions. Both polls confirmed what was already known: a lack of financial knowledge, rather than a lack of financial attitude or conduct, was the main cause of poor financial literacy scores across nations. While over half of those who took the survey took the effort to create a budget, pay their bills on time, and closely monitor their financial situation, a sizable minority had no idea how to calculate interest or how compounding affects the growth of their savings. They were uninformed of the technique of diversification for risk mitigation and the impact of inflation on buying power. When it came to the female population, the situation was much worse. Furthermore, the study reiterated its coverage of financial resilience, bringing attention to the reality that several persons surveyed relied on borrowing to fund expenses.

In order to study adult saving, borrowing, payment, and risk management practices, the World Bank (Birdsall, 2018) released The Global Findex Database 2017 (The Global Findex Database, 2017). In order to save money and buy things that people need, financial systems provide a variety of services. Like previous research, this one found that most people have a checking account and a cell phone, but many, particularly in developing nations, do not have bank accounts. People didn't save for a variety of reasons, including a lack of disposable income, a lack of convenient banking options, and high costs overall. Still, a sizeable portion of that group has engaged in digital payment transactions, either sending or receiving funds over the internet or mobile banking services.

To determine the extent to which adults in India, aged 18 to 80, are financially literate and inclusive, the National Centre for Financial Education, which is supported by the country's regulatory agencies, conducted a study in 2019 called the National Survey on Financial Literacy and Inclusion (National Centre for Financial Education, 2019). As a supply side measure, we looked at how financially literate respondents were based on their attitudes, actions, and knowledge; as a measure of financial inclusion, we looked at how product aware respondents were, how many products they owned, and how they used them. The national average for financial attitude was 89%, for financial conduct it was 53%, and for financial literacy it was a pitiful 27%. Women, those with lower levels of education, and those living in rural regions all had lower scores in all of these categories. On the other side, financial inclusion brought attention to the fact that about 87% of respondents in India had savings-related banking products, such as an account. Though a small percentage did participate in pension plans, even fewer were involved in capital market trading. Regardless, insurance was at a respectable 72%.

The National Bank for Agriculture and Rural Development (NABARD) undertook the All India Rural Financial Inclusion Survey 2016–17 in 2017 to investigate the numerous facets of financial inclusion penetration in the rural sector, in response to the national push for such an initiative (NABARD, 2017). Here again, financial education exposure was very lacking, coming in at around 10%. Status of Microfinance in India (NABARD, 2022) details how, in an effort to reach the most marginalised members of society, including low-income and uneducated rural women, NABARD developed a groundbreaking programme in 2022. The program's three novel features were the following:(1) banks' willingness to provide savings and credit to informal groupings;(2) the elimination of collateral requirements for loans; and(3) the authorization to lend to groups without requiring them to specify the project or goal.

People leave rural regions for urban centres for several reasons, including poverty, unemployment, water scarcity, and a lack of housing options. Slums: Locating and Charting This year (2019), researchers in Pune used geospatial techniques to study the city (Mundhe, 2019). Pune is the second-largest city in Maharashtra State, which has India's biggest economy. As a result of migration, the slum population in Pune has increased from 8% in 1951 to 28% in 2022 (Pune Municipal Corporation, 2022). The already-scarce resources of the city are overwhelmed by this. The vicious cycle begins with a lack of money and jobs, which in turn causes people to migrate. They are ensnared, susceptible to exploitation, and unable to break out of poverty even if there are employment opportunities in the city due to low levels of financial literacy, ignorance, and access to financial goods.

U and Jahan (2020) conducted an assessment of the financial literacy of slum residents in Bangalore. An investigation in Bangalore came to the same conclusion.Similarly, a research conducted in Nagpur (Tiwari, 2018) found that while most people had savings accounts, training courses were needed to raise knowledge about government services. The influence of education and profession on financial literacy was shown to be statistically significant in another research of a tribal group in Himachal Pradesh's Kinnaur area (Kumar et al., 2020).

Migrants are an especially vulnerable demographic that requires social assistance due to their lack of financial literacy, inability to communicate effectively in their host country's language, inability to access official social welfare programmes, and dependence on informal networks like family and friends when circumstances go tough. According to a research paper on Financial Knowledge and Behaviours of Chinese Migrant Workers: An International Perspective on a Financially Vulnerable Population (Chen & Lemieux, 2016), one study examined the relationship between migration background and knowledge and understanding of personal finance of young adults in Germany (Happ & Forster, 2016), while another looked at the factors contributing to financial literacy levels among a migrant group: an analysis of the Vietnamese cohort (Natoli, n.d.).

As a long-standing worry of policymakers, an intriguing research carried out by the World Bank in Indonesia tackled the issue of remittances being spent rather than saved, therefore reducing the development benefit of migration (Doi et al., 2014). Results from this research show that timing and audience are critical factors in financial literacy training. On its own, migrant training does nothing to improve economic security. There is a moderate effect from training the relative, and a substantial effect from training the migrant and their family. One other important factor is when training takes place. According to the research, a "teachable moment" for discussing financial management occurs just before a family receives a significant income boost, when interest and comprehension are at their highest.

Research gap

There is a significant lack of study on the socio-economic factors that influence financial literacy in the Vidarbha area of Maharashtra, India, even though the significance of financial literacy for individual and societal prosperity is becoming more acknowledged. Rural and economically diversified places like Vidarbha are understudied when it comes to financial literacy, with most research focusing on metropolitan populations or regions with higher levels of economic development. Moreover, while many studies have looked at how socioeconomic status generally relates to financial literacy, not many have looked at how specific variables like age, gender, income, education, occupation, and location within Vidarbha affect it. Furthermore, there is a dearth of all-encompassing studies that combine qualitative and quantitative evidence to show how these societal and economic elements interact to affect financial literacy. The current body of literature on the topic of financial education and resources often fails to account for the specific difficulties encountered by various demographic groups. To improve financial literacy and promote socio-economic development in the area, there has to be more research, but now there is a lack of it.

In order to fill these gaps, this project will do a comprehensive literature analysis that combines previous research on the socio-economic factors that influence financial literacy, specifically looking at the Vidarbha area. The purpose of this study is to provide the groundwork for future studies and to help shape policies and programmes that are well-suited to the population of Vidarbha by identifying and analysing important trends, inequalities, and issues.

Conclusion

In order to assess how socioeconomic factors affect financial literacy among people living in the Vidarbha area of Maharashtra, India, this research has conducted a comprehensive literature review and synthesis. The results show that several socioeconomic variables, including as age, gender, income, education, employment, and geographic location, substantially impact financial literacy in Vidarbha. The study shows that there are large gaps in financial literacy amongst various demographics, which makes it more clear that economically and socially disadvantaged people have a harder time gaining and using financial information.

Higher income and educational achievement are substantially connected with increased financial literacy, according to the literature study, which has highlighted important patterns and connections. On the other hand, financial literacy is lower among rural inhabitants, women, and older persons; hence, there should be financial education programmes tailored to the requirements and obstacles of these particular demographics. Furthermore, the study emphasises the need of using qualitative insights to fully understand the complex perspectives and experiences of the people living in Vidarbha when it comes to financial literacy.

Additionally, the report clarifies the wider consequences for educational institutions, financial organisations, and lawmakers. To improve financial literacy in Vidarbha, we need a combination of strategies, such as targeted educational programmes, easily available financial resources, and policies that help with the region's specific socioeconomic issues. Stakeholders can foster inclusive economic growth and equip people to make well-informed financial choices by adopting these interventions. This will eventually contribute to Vidarbha's socio-economic progress.

Finally, this study not only sheds light on the socioeconomic factors that influence financial literacy in Vidarbha, but it also points to a number of potential avenues for further investigation in this field. Research on the complex interplay between socioeconomic factors and financial literacy throughout time, as well as the design and evaluation of targeted interventions to raise financial literacy levels across Vidarbha's varied population, are both urgently required. Finding solutions to these knowledge gaps is essential for developing all-encompassing plans to improve people's financial situations and encourage long-term economic development in the area.

References

- Birdsall, N. M. (2018, 4 19). The East Asian miracle: economic growth and public policy : Main report (English). World Bank Documents and Reports.
- Chen, Z., & Lemieux, C. M. (2016). Financial Knowledge and Behaviors of Chinese Migrant Workers: An International Perspective on a Financially Vulnerable Population. Journal of Community practice.
- Doi, Y., McKenzie, D., & Zia, B. (2014). Who you train matters: Identifying combined effects of financial education on migrant households. Journal of Development Economics.
- Garg, B. (2018). Financial Awareness among Slum Dwellers: Empirical Study from Delhi. IOSR Journal of Business and Management, 20, 24 - 28.
- Gibson,, J., McKenzie,, D., & Zia, B. (n.d.). The Impact of Financial Literacy Training for Migrants.
- The Global Findex Database 2017. (2017).
- Grohmann, A., Klühs, T., & Menkhoff, L. (2018). Does financial literacy improve financial inclusion? Cross country evidence. World Development.
- Happ, R., & Forster, M. (2018). The relationship between migration background and knowledge and understanding of personal finance of young adults in Germany.
- Kumar, D. A., Kumar, A., & Reddy, T. V. (2020). Measurement and Analysis of Financial Literacy: A Study of Kinnaur District of Himachal Pradesh.
- Mundhe, N. (2019). IDENTIFYING AND MAPPING OF SLUMS IN PUNE CITY USING GEOSPATIAL TECHNIQUES. The International Archives of the Photogrammetry, Remote Sensing and Spatial Information Sciences, Volume XLII-5/W3.
- NABARD. (2017). All India Rural Financial Inclusion Survey 2016-17.
- NABARD. (2022). Status of Microfinance in India.
- National Centre for Financial Education (Ed.). (2019). Financial Literacy and Inclusion in India. NCFE-FLIS 2019, -(-), 169. ncfe.org.in. 2019
- Natoli, R. (n.d.). Factors contributing to financial literacy levels among a migrant group: an analysis of the Vietnamese cohort. International Journal of Social Economics.