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Awareness and Preference of Rural Youth Towards Financial Products

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ABSTRACT

As per the census data of 2011, 68.84 per cent of Indian population lives in a rural area. Literature suggests that 76% of the Indian population does not understand even the basic financial concepts and only 35% of Indians have a bank account (Gupta, 2019). At the same time, rural India has its problems e.g. poor financial condition, lack of access to gadgets and technology, lack of various infrastructure related facility and so on, which keeps them backward even towards their awareness about financial products and services. Basic awareness of financial products can encompass every aspect of their life, so awareness about financial products is essential, especially for the rural population to improve their upliftment. On the other side, we are moving forward towards the concept of Digital India. The digital India movement has also motivated rural youth for digital transactions. Thus, the knowledge of financial products and technology do not only increases the ease of transactions but also leads to effective financial planning and its execution. Hence, this paper is an attempt to study the awareness and preference towards financial products of rural youth.

INTRODUCTION

Each country has a rural and urban population, which contributes differently to economic development. From literature, it could be identified that the rural population is deprived of various services and growth. GOI (2018) statistics (census 2011) also advocates this difference as 13.7% of urban population lives below the poverty line wherein 21.9% of the rural population lives below the poverty line and poverty gap ratio in an urban area is 2.7 while it is 5.05 in the case of rural India. Why this gap is existing? One of the major reason is the awareness and accessibility of various products and services. Before the study of this awareness, the following discussion talks about the meaning and characteristics of rural regions.

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Rural region is a geographic region that is located outside cities. Generally, rural regions have a low population density and small settlements. RBI defines rural areas as those areas with a population of less than 49,000. The National Sample Survey Organisation (NSSO) defines 'rural' as follows:

- An area with a population density of up to 400 per square kilometre,
- Villages with clear surveyed boundaries but no municipal board,
- A minimum of 75% of the male working population involved in agriculture and allied activities.

Being more than 68% (Chandramouli, 2011) of Indian population living in rural region and more than 62% of the population is of age between 15-59 years (61% of the rural population is of age between 15-59 years) (GOI, 2011), it is important to study the awareness and preference of young rural India to make India shine. Rural India contributes a large quantity to India's GDP by way of agriculture, self-employment, services, construction etc. As per a strict measure applied by the National Sample Survey in its 63rd round, named monthly per capita expenditure, rural expenditure accounts for 55% of total national monthly expenditure. The rural population is currently responsible for one-third of the total Indian FMCG sales.

Thus, issues and challenges of rural India are vital to study. Rural regions of the country are facing different issues than those in urban areas. Rural residents may face disparities due to:

- A disproportionate burden of chronic disease relative to the general public
- Restricted access to quality health care
- Insufficient or lack of health insurance coverage
- Geographic isolation
- Lack of public transportation
- Poor infrastructure
- Low educational attainment
- Low health literacy
- Poverty and unemployment
- A smaller health care workforce and a lack of speciality care
- Limited availability of bilingual providers and interpreter services
- Cultural or social differences, stigma, and norms

All of these factors affect health and wellness in rural communities ("Overview of Specific Issues in a Rural Context," 2020).

Financial literacy is all about knowledge and skills to manage personal finance and to match with future economic needs. Without enough knowledge about financial products, one may not efficiently take vital financial decisions. Cherry Dale, Director of Financial Education, Virginia Credit Union opined that if people truly understand the way that financial systems work, they would encompass that and take the steps to make a better life for themselves. Dameion Lovett, Campus Director and Overseer, Financial Education Program at the University of South Florida opined that Financial literacy is important because it's pretty much one of the things that will encompass just about every aspect of a person's life. Thus, financial literacy is vital for the betterment of rural India, especially for the future of Indian rural youth. Hence, through this research, an attempt is made to study the level of basic financial literacy of rural youth.

REVIEW OF LITERATURE

Due to urbanization, rural areas are now converting into urban areas. There is a great amount of possibility in future that rural population moves to an urban area. Gulankar (2019) stated that the urban population of India has seen a rise from 17.1 per cent to 29.2 per cent between 1950 and 2015. Meanwhile, the rural population declined from 82.9 per cent (in 1915) to 67.2 per cent (in 2015). The speculation for the year 2050 suggests that the urban-rural segregation will be 52.8 and 47.2 with a difference of 5.6 per cent. When rural population move towards urban area without financial literacy, issues of urbanization become severe due to disparity of income and knowledge. Many rural inhabitants come to the city for reasons of seeking fortunes and social mobility. But the picture of urbanization is not so much glorious as it seems. Modern cities have grown in a haphazard and unplanned manner due to fast industrialization. Cities in developing countries become over- populated and over-crowded partly as a result of the increase in population over the decades and partly as a result of migration (Jaysawal & Saha, 2014).

Awareness about financial products helps an individual to plan for his or her future financial requirements. At the same time looking at the growth of the digital payment system, the conventional idea of knowledge of the financial products is not the only trend that people need to be guided about. Instead, the extra effort needed is to educate them about the digitalization of financial transactions too (Gupta, 2019). But at the same time, it is observed that conventional financial literacy is less in India and specifically in a rural area of Gujarat state. Dave (2016) depicted that Gujarat has witnessed a lack of interest by bankers in financial inclusion in rural areas. Even in a rural area, financial literacy centre is absent. State Level Bankers' Committee (SLBC) of Gujarat observed that the state has 49 financial literacy centres (FLC) but not a single one in the rural areas. As per the revised guidelines of Reserve Bank of India (RBI), FLCs and rural branches are advised to conduct at least one special camp per month for newly included people in financial system (Dave, 2016).

Joshi (2011) described that Financial Literacy stimulates the demand side – making people aware of what they can demand. She suggested that a growing capital market, insurance, mutual funds etc. with increasing retail participation required financial education and consumer protection. They are needed to be told about the risks of various investment portfolios. Did she emphasise on why to save? How to save? and about borrowings. Ali, Anderson, McRae, and Ramsay (2016) studied financial literacy levels among Australian secondary school students. They identified the gap between urban and rural survey participants in respect of their financial literacy and located the contrasting knowledge levels in a setting that includes socio-economic status and language background. They found that rurality is certainly an adverse factor impacting financial literacy.

PROBLEM STATEMENT

A study of the level of awareness and preference of rural youth towards basic financial products.

OBJECTIVES

1. To identify the awareness level about and preference for the basic financial products among rural youth
2. To know the usage of mobile by the rural investor
3. To recognize the willingness of the rural investor to get awareness training
4. To know the effect of the demographic profile of rural youth awareness and preference for the various financial products

RESEARCH METHOD

In this research study, descriptive research design is used to describe the financial literacy in a rural area. The majority of the Indian population belongs to rural area and youth is a major part of the population. In this cross-sectional study, emphasis is given on awareness and preferences of rural youth towards financial products. This study describes the use and demographic factors affecting the awareness level of rural youth about certain financial products.

Scope of the study is the south Gujarat region. Data is collected from the rural area of south Gujarat, where people are basically from the rural areas of south Gujarat or have migrated from the various rural areas of Gujarat like Kachchh, Saurashtra and Uttar Gujarat. Hence, the population for the study is rural population of south Gujarat. In this study, convenient sampling is used to collect the data from various villages of south Gujarat. Primary data has been collected through a structured questionnaire. Personal survey method is used to collect the data from the respondents. Following is the demographic profile of respondents

1. Village: Total 29 villages

2. Gender:

Gender	Frequency	Percentage
Male	46	68.7
Female	21	31.3
Total	67	100

3. Age:

Education	Frequency	Percentage
Schooling	45	67.2
Graduate	8	11.9
Post Graduate / Professional	6	9.0
Total	59	100

4. Education:

Education	Frequency	Percentage
Schooling	45	67.2
Graduate	8	11.9
Post Graduate / Professional	6	9.0
Total	59	100

5. Occupation:

Occupation	Frequency	Percentage
Employment	19	28.4
Business	22	32.8
Labour Work	4	6
Others (Not earning)	21	43
Total	66	100

6. Monthly Income:

Monthly Income	Frequency	Percentage
Up to 4000	16	25.4
Rs. 4001 - Rs. 10000	22	34.9
Rs. 10001 - Rs. 18000	10	15.9

Above Rs. Rs. 18000	15	23.8
Total	63	100

7. Household monthly income:

Monthly Household Income	Frequency	Percentage
Up to Rs. 15000	13	28.3
Rs. 15001 - Rs. 26000	10	21.7
Rs. 26001 - Rs. 40000	13	28.3
More than 40000	10	21.7
Total	46	100

8. Family size:

Family Size	Frequency	Percentage
1	17	25.8
2	23	34.8
3	11	16.7
4 or more	15	22.7
Total	66	100

9. Earning members:

Number of Earning Members	Frequency	Percentage
1	20	29.9
2	29	43.3
3	11	16.4
4 or more	7	10.4
Total	67	100

In this study, SPSS software is used to analyse the data. To know the use and awareness level about various financial products basic frequency distribution is used. Bar charts are used to show data graphically. For further analysis and hypothesis testing, the chi-square test is applied to know the effect of a demographic factor on usage and awareness level about various financial products.

Analysis and Findings

Usage of various financial products:

Following table presents data about the usage of various financial products by the rural population.

Table 1: Usage of various financial products

Financial Product	Use (%)	Do not use (%)	Total (%)
Savings Account	97	3	100
Current Account	44.6	55.4	100
Recurring Deposit	9.2	90.8	100
Fixed Deposit	26.2	73.8	100
PPF	6.2	93.8	100
Post office schemes	12.3	87.7	100
Life Insurance	36.9	63.1	100
Other Insurance	12.3	87.7	100
Govt. Life Insurance	10.8	89.2	100
Govt. Medical Insurance	7.7	92.3	100
Govt. Pension scheme	3.1	96.9	100
Another Pension scheme	3	97	100
Bond / Debenture	1.6	98.4	100
Gold / Jewelry	52.3	47.7	100
Stock Market	3.1	96.9	100
Mutual Fund	3.1	96.9	100

Figure 1: Usage of various financial products

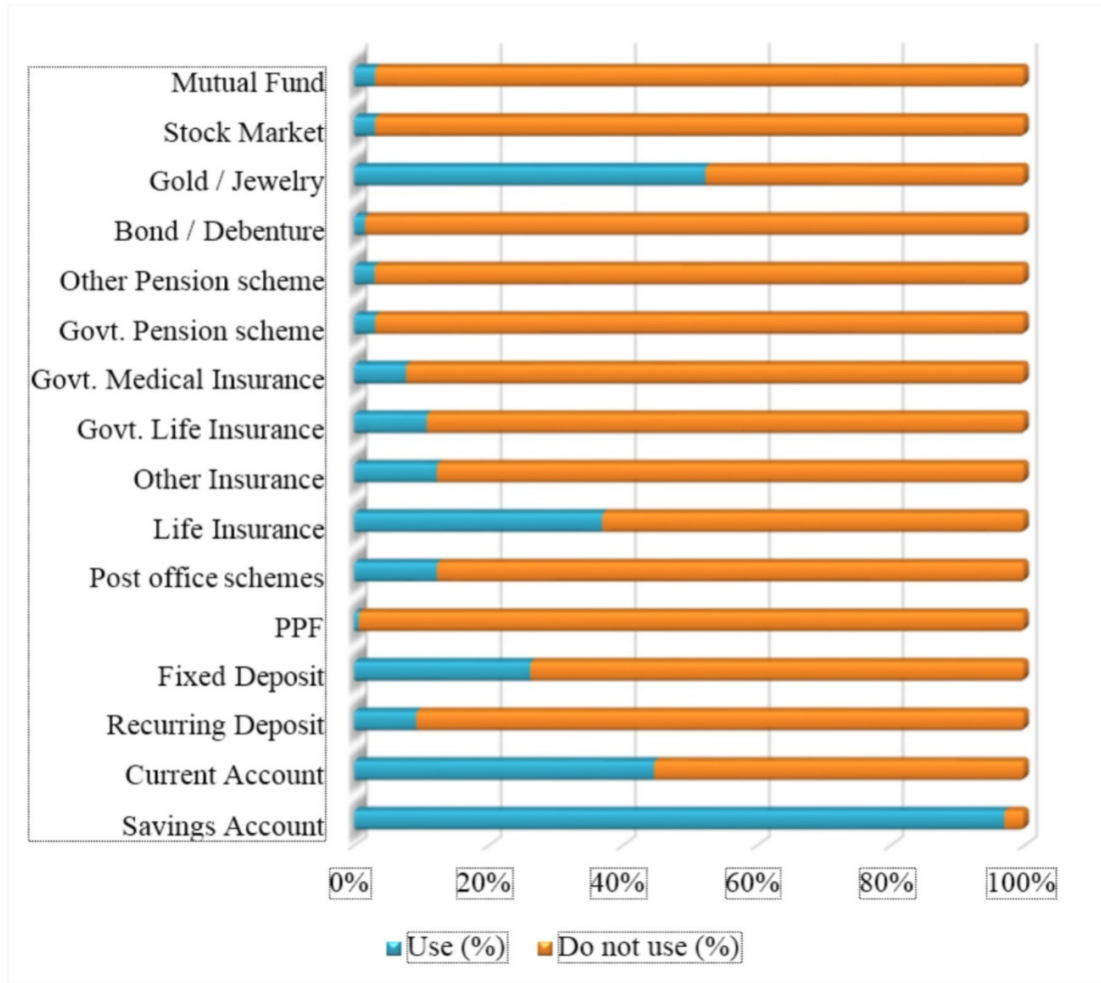


Figure 1 shows the stack bar chart of the information provided in Table 1. It is easier to interpret from the graph about the various financial products used by rural investors.

From Table 1 and Figure 1, it can be observed that rural people use mainly savings bank account. Gold and Jewelry is still shining while choosing investment or savings of rural people. Most of the other modes of investment or savings are hardly used by rural investors. Surprisingly, about 37% of respondents have shown life insurance as one of the investment avenues. But at the same time, is the amount of sum assured in life insurance enough or not is still an area of research. Most of the government and other schemes including post office schemes are least preferred by rural investors.

Awareness in various Financial Products

Awareness level is an important component to determine the investment avenue or financial products to part excess fund. Table 2 shows the level of awareness of the rural population about various financial products.

Table 2: Awareness level of Financial Products

Financial Product	Fully Aware (%)	Moderately Aware (%)	Not Aware at all (%)	Total (%)
Savings Account	60.6	39.4	0	100
Current Account	18.2	43.9	37.9	100
Recurring Deposit	6.1	16.7	77.2	100
Fixed Deposit	9.1	28.8	62.1	100
PPF	1.5	16.7	81.8	100
Post office schemes	0	19.7	78.8	100
Life Insurance	13.6	30.3	56.1	100
Other Insurance	3	12.1	84.9	100
Govt. Life Insurance	4.5	10.6	84.9	100
Govt. Medical Insurance	3	16.7	80.3	100
Govt. Pension scheme	4.5	12.1	83.4	100
Other Pension schemes	3	7.6	89.4	100
Bond / Debenture	6.1	3	90.9	100
Gold / Jewelry	25.8	28.8	45.4	100
Stock Market	3	6.1	90.9	100
Mutual Fund	1.5	10.6	87.9	100

From table 2 and Figure 2, it can be observed that the level of awareness about most of the financial products is less among rural youth. Though 97% of respondents are having a savings account, only 60.6% of them are fully aware of it. In the same way, 52% of respondents invest in gold and Jewelry but only 25.8% of them are fully aware of it. Again surprisingly none of the rural investors is fully aware of post office schemes. In many of the other investment avenues, it can be observed that on an average 80% of respondents are not aware at all. Thus, while rural investor does the saving or takes an investment-related decision, lack of awareness could be one of the major reasons for not opting for the various financial products.

Usage of mobile in making an investment decision

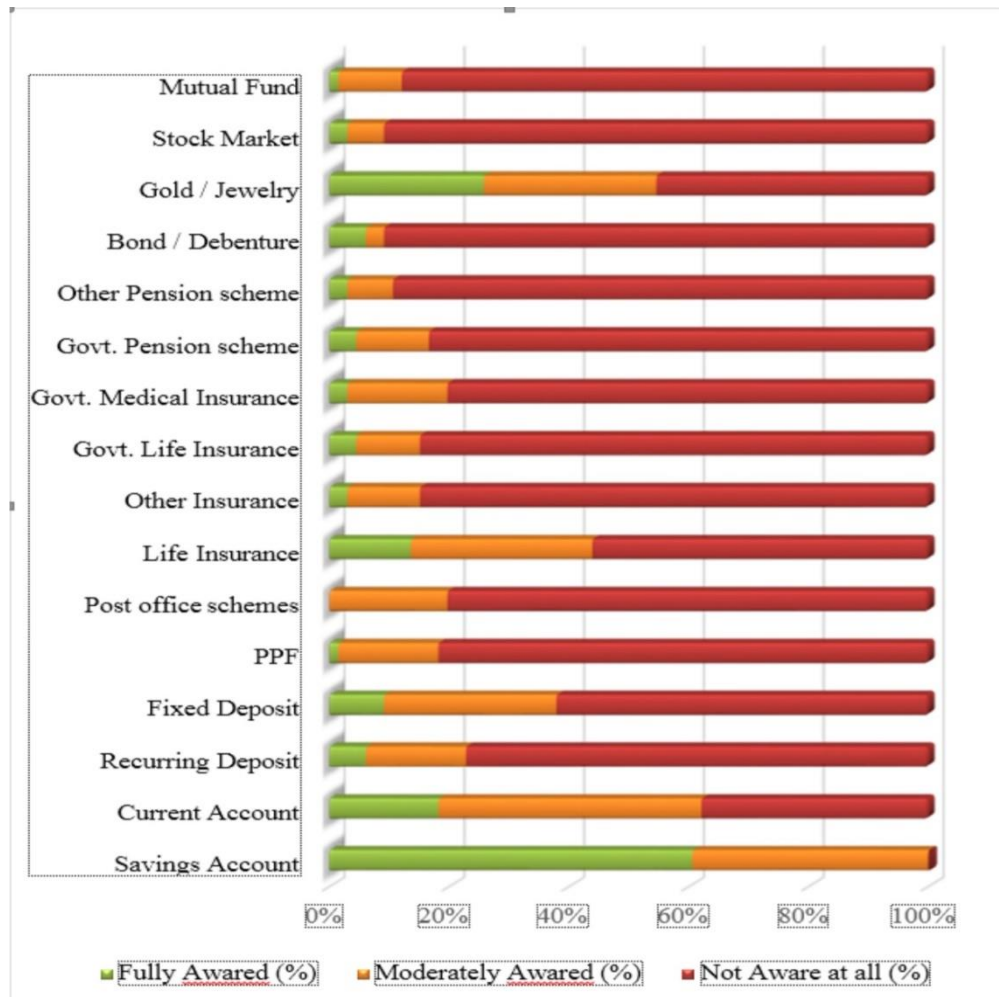
Following table shows the usage of mobile in various financial transactions by rural investors.

Table 3: Usage of mobile in financial transactions

Frequency of Mobile usage	Frequency	Percentage
Always	11	18.6
Sometimes	31	52.5
Never	17	28.8
Total	59	100

Table 3 suggests that even in the rural regions, mobile transactions become easy and many rural people also like to get involved in a digital transaction. Though in the rural regions there are limitations, 71.1% of the respondents have used (at least sometimes) mobile phone in their financial transactions.

Figure 2: Awareness level of Financial Products



Source of information for savings or investment**Table 4: Sources of information**

Source	Frequency	Percentage
Family and Relatives	25	47.2
Friends	13	24.5
Agents / Experts	15	28.3
Total	53	100

From Table 4, it can be observed that still most of the rural young investors believe in the words of family and friends. Only 28.3% of total respondents take the advice of agents, experts or government offices while taking an investment decision.

Table 5: Awareness Training Program attended

Training programs attended	Frequency	Percentage
No	55	93.2
Yes	4	6.8
Total	59	100

Table 5 suggests that only a few of the rural investors have attended any awareness program conducted by the government.

Table 6: Interested in attending Awareness Training Programs

Interested in training programs	Frequency	Percentage
No	22	31.7
Yes	38	68.3
Total	60	100

Table 6 suggests that most of the respondents are keen to attend an awareness program about various investment avenues. Thus, the government needs to increase its efforts to increase awareness about financial products among the rural population.

Hypothesis Testing

H₀: Demographic factors do not affect the usage level of financial products among rural youth

H₁: Demographic factors affect usage level of financial products among rural youth

Table 7: P-value of Chi-square Test for the usage of various financial products

Financial Product	Gender	Age	Education	Occupation	Income
Savings Account	0.344	0.318	0.000*	0.229	0.677
Current Account	0.028**	0.057***	0.484	0.819	0.448
Recurring Deposit	0.087***	0.376	0.567	0.529	0.457
Fixed Deposit	0.638	0.227	0.516	0.248	0.078***
PPF	0.390	0.835	0.530	0.462	0.496
Post office schemes	0.706	0.735	0.919	0.831	0.869
Life Insurance	0.59***	0.439	0.007*	0.266	0.188
Other Insurance	0.044**	0.432	0.137	0.200	0.045**
Govt. Life Insurance	0.317	0.990	0.235	0.416	0.067***
Govt. Medical Insurance	0.642	0.782	0.688	0.347	0.207
Govt. Pension scheme	0.338	0.394	0.736	0.180	0.316
Other Pension scheme	-	-	-	-	-
Bond / Debenture	0.513	0.648	0.857	0.502	0.124
Gold / Jewelry	0.804	0.858	0.084***	0.840	0.007*
Stock Market	-	-	-	-	-
Mutual Fund	-	-	-	-	-

*significant at 99% **significant at 95% and ***significant at 90%

From Table 7, it can be inferred that Gender, Age and Income are important demographic factors, which affect the usage of various financial products. But still many financial products are there (viz. PPF, Post office schemes, medical insurance, pension scheme, bond, stock market and mutual fund) which are not affected by the demographic profile. But at the same time, basic awareness about these products is also very low, which could be an important determinant for the usage of this product.

Following hypothesis testing provides information about the effect of demographic factors on the level of awareness of rural investors.

H0: Demographic factors do not affect the awareness level of various financial products among rural youth

H1: Demographic factors affect the awareness level of various financial products among rural youth

Table 8: P-value of Chi-square Test for Awareness level of various financial products

Financial Product	Gender	Age	Education	Occupation	Income
Savings Account	0.087***	0.655	0.553	0.200	0.053***
Current Account	0.250	0.004*	0.275	0.910	0.163
Recurring Deposit	0.212	0.403	0.076***	0.955	0.083***

Fixed Deposit	0.627	0.129	0.080***	0.085	0.003*
PPF	0.772	0.109	0.675	0.789	0.332
Post office schemes	0.323	0.718	0.211	0.547	0.395
Life Insurance	0.086***	0.848	0.010*	0.683	0.099***
Other Insurance	0.077***	0.809	0.262	0.476	0.1***
Govt. Life Insurance	0.621	0.721	0.378	0.824	0.355
Govt. Medical Insurance	0.373	0.962	0.237	0.263	0.102
Govt. Pension scheme	0.057***	0.390	0.023**	0.238	0.034**
Other Pension scheme	0.579	0.955	0.185	0.928	0.052***
Bond / Debenture	0.238	0.568	0.000*	0.512	0.162
Gold / Jewelry	0.127	0.288	0.246	0.900	0.001*
Stock Market	0.614	0.451	0.008*	0.338	0.189
Mutual Fund	0.484	0.765	0.002*	0.333	0.445

*significant at 99% **significant at 95% and ***significant at 90%

From Table 8, it is found that demographic factors like Gender, Age and Income play an important role in the level of awareness about various financial products. Specifically, technical products like Bonds, Shares and Mutual funds are significantly affected by the education level of respondents. Considering the income is most important factor affecting the level of awareness about the various products at different levels of significance.

CONCLUSION

This research paper is an attempt to study the awareness level and preferences of rural youth (as most of the respondents are below 40) and their usage of various financial products. In this study, we found that mainly rural youth uses only savings account out of various basic financial products. In terms of awareness also most of the rural investors are not at all aware of most of the basic financial products. Even all of them are not fully aware of the savings account. It is found that rural youth is least aware of Post office schemes. It reflects the government's inefficiency to generate awareness about the Department of Post. Digital India movement has been found to be successful while finding many rural young people interested in digital transactions. After savings account rural people are aware of Gold and Jewelry, but still it not at full extent.

A major source of information for investment is family members, relatives and friends. But at the same time, many rural investors are found keen to participate in government awareness program but they didn't find such an opportunity. It again uncovers the inefficiency of the government to conduct awareness and training

programs. Being the less aware of various financial products, in terms of the preference after savings account, they prefer Gold and Jewelry followed by current account, life insurance and others. While studying the effect of demographic factors, it is found that Gender, Age and Income were important in affecting the usage and awareness of rural youth about various financial products. For technical products like bonds, shares and mutual funds, the education of respondents was found significant to affect their awareness level.

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