

Review Article

A REVIEW ON FINANCIAL LITERACY FOR FARMER-EDUCATE TO EMPOWER

Abstract

India is a significant global contributor in the agriculture industry. Agriculture and allied sectors are the main source of livelihood to about 55% of India's population. Of the country's population engaged in agriculture and related sectors, 69% live in rural areas, with the majority of these people being farmers (Lalrinmawia and Gupta 2015 [11]). Although, India is having top standings in terms of highest milk production, livestock population etc., but on the ground reality farmers face many constraints hindering the sustainability in production and productivity of agriculture sector. One of the major constraints hindering farmers growth is financial literacy. Financial inclusion and, eventually, financial stability were seen as much aided by financial literacy in India. Among all farming households, about 27% are financially literate and have access to official credit sources (Proscovia *et. al.* 2021 [16]). Recognizing the importance of agriculture and allied sector in India's development, the Government, Reserve Bank of India (RBI) and many financial research institutes in collaboration with farmer-oriented universities like agriculture, veterinary and allied universities have played an important role for catering to the increasing awareness on financial literacy and access to credit services among farmers as there exist visible lacunae in achieving improved farmers economy (Gautam *et. al.* 2022 [9]). The financial literacy has been found direct impact on socio-economic factors and hence suitable delivery services that addressing financial concepts can have beneficial effect and long-term sustainability on farmers livelihood (Patel 2023 [15]).

Keywords: Credit services, Farmer-oriented universities, Financial stability, Reserve Bank of India, Visible lacunae.

1. Introduction

Financial literacy is the understanding of ideas and abilities related to taxation, borrowing, investing, budgeting, and financial transactions. A term for this lack of knowledge is financial illiteracy. Acquiring financial knowledge is vital as it empowers individuals to understand and effectively manage wealth and debt. Farmers that are financially literate are better able to use and comprehend a variety of financial concepts and instruments, which empowers them

to manage their farm finances with knowledge and confidence(Ankrah Twumasi *et. al.*2022 [2]).

The process of improving financial consumers' and investors' understanding of financial concepts and products, as well as giving them the knowledge and self-assurance to recognize financial opportunities and risks, make wise decisions, know when to seek assistance, and take other useful actions, is known as financial literacy(OECD, 2005 [14]).The facilitation of the expansion of the agricultural sector by improving farmers' purchasing power for inputs, which leads to higher quantities and better quality of inputs, is referred to financial literacy for farmers(Chandio *et al.*, 2020 [5]; Yuni *et al.*, 2022 [19]).Financial literacy includes being knowledgeable, educated, and informed on the issues of managing money and assets, banking, investments, credit, insurance, and taxes(Hogarth 2006 [10]).Financial literacy is the process by which people improve their understanding of financial products, services, and concepts and are thus empowered to make informed choices, avoid pitfalls, know where to go for help, and take other actions to improve their current and long-term financial well-being (Schwab *et al.*, 2008 [17]). This review poses a deeper understanding of the concepts of financial literacy through the following objectives

- To understand the concept of financial literacy which is essential for empowering the farmers and improving their livelihoods.
- To determine the ways of familiarizing the farmers with the fundamental aspects of financial literacy.
- To study the impact of financial literacy on farm financial management and productivity.

2. Importance of financial literacy

Through financial literacy, productivity is increased with the adoption of new agricultural technologies made possible by credit understanding.Financial literacy is increasingly important in navigating the global marketplace, as individuals are faced with a countless of financial decisions concerning saving, investing, and borrowing. Hence, financial literacy is quickly becoming acknowledged as a fundamental ability that directly affects financial well-being(Das and Maji 2023 [8]).

Poor/lack of financial management, inadequate risk management, inefficient resource allocation, inability to access existing financial services, lower profit of Margins, more dependence on informal lending, limited growth and expansion, missed opportunities for right investment, vulnerability to fraud and exploitation by intermediaries in marketing channels, poor compliance with regulations in taxations, stagnancy in productivity, lack of modern equipment, prone to high debt levels, lack of knowledge to deal with the local traders and middleman, lower market price of crop/produce are some of major constraints faced by the farmers (Zhlilma *et. al.* 2024 [20]). To overcome these major constraints, the goal lies in creating awareness to farmers with understanding the concept of financial literacy (Patel 2023 [15]).

3. Educate to empower

Financial literacy education helps in empowering farmers through improved financial management, enhanced decision-making to become self-reliant, access to available financial services, understanding risk management, investing in sustainable practices, record keeping on cash flows and financial tracking, empowerment and independence which leads to community development (Choudhary and Kamboj 2017 [7]).

Implementing financial literacy through education for the farmers requires a multifaceted approach that takes into account of their specific needs, learning preferences, and the challenges they face (Liew *et. al.* 2020 [12]). Organizing workshops, field days, peer learning group activities, mentorship and training programmes in rural areas on topics like budgeting, cost management, investment, government credit initiatives and market analysis (Yuni *et. al.* 2022 [19]). Distributing different easy to understand educational materials can help in knowledge acquiring and retention among the farmers. Several Government approaches i.e., Extension services and NGO initiatives have leveraged their services in creating awareness on financial literacy (Newar and Bhuyan 2022 [13]).

In order to introduce educational strategies, the implementation should be initiated with assessing needs to understand the topics of interest to be addressed among the farmers. Once the needs are assessed, developing a curriculum relevant to the farmers plays a major role. The other factors like Training of trainers, implementing pilot programmes to test the effectiveness helps in scaling up to a larger audience. Suitable monitoring and evaluation

need to be taken up to assess the impact and suitable reconsiderations (Proscoviaet. al. 2021[16]).

4. Key Areas of Financial Literacy

Training needs assessment carried out among the farmers revealed certain key areas to be acknowledged among the farmers that consists of different cost management practices and budgeting, investment in agriculture allied sectors and infrastructure, acquiring the knowledge on market analysis and pricing strategies, risk management and insurance, record keeping and financial statements, access to available and suitable credit and financial services, sustainable practices and long-Term planning, educating governments schemes and promoting responsible borrowing towards judicious usage of finance (Chand and Bhatt 2023 [4]).

In case of livestock farming, an understanding of different credit scheme like National Livestock Mission, Animal Husbandry Infrastructure Development Fund, NABARD Dairy and Poultry Venture Capital Fund, Livestock Insurance Scheme, Pradhan Mantri Fasal Bima Yojana, Training Of Rural Youth for Self-Employment, Rural Development and Self Employment Training Institute' (RUDSETI) for Training and facilitating the rural youth for taking up Self Employment as an alternative career. In agriculture, understanding of Kisan credit card, Agri clinics and agri business centres scheme and in fisheries Pradhan Mantri Matsya Sampada Yojana are essential (Singla and Malik, 2021 [18]).

Farmers can access these schemes through their local banks, different cooperative societies, and government agricultural departments. Eligibility criteria, beneficiaries, interest rates, and application processes may vary, hence it is advisable to consult the specific credit services guidelines or local agricultural offices for availing information.

5. Factors influencing financial literacy

The role of socio-economic factors like age, educational background, land holdings, annual income have positive significance on financial literacy. The importance of tailored financial education empowers farmers with the necessary financial skills and knowledge to improve their economic well-being (Charyulu and Selvamani 2023 [6]).

Additionally, access to financial resources and previous training experience on credit services awareness among farmers' shapes financial literacy levels in a positive direction (Patel 2023 [15]). The training programmes conducted after suitable needs assessment had a positive influence on skill enhancement and a basis for policy formulation (Agarwal *et. al.*, 2014 [1]). The other important factors like experience with application for accessing subsidies, access to a bank account, and their habit of financial keeping records (Zhlilima *et. al.*, 2024 [20]).

The factors like promoting financial inclusion, enhancing economic development, empowering communities, reducing vulnerability to financial risks, and fostering social equity can be achieved through financial literacy among the farmers (Chand and Bhatt 2024 [4]).

6. Conclusion

A crucial component of financial literacy instruction is equipping livestock farmers with the knowledge and skills they need to manage their resources sensibly, make informed financial decisions, and increase their overall farming success (Atkinson & Messy, 2012 [3]). Livestock farmers can be successfully taught financial literacy using a range of instructional techniques and approaches. By providing people with stronger financial management skills, this financial education eventually helps to increase the farming operations' profitability and sustainability, which improves their standard of living (Agarwal *et. al.* 2014 [1]).

The different studies emphasize the necessity of focused educational initiatives and materials that give farmers accurate and trustworthy information about various investment options. It is important to find and support reliable information sources that farmers may use to guide their investment decisions. This can involve working together with financial organizations, extension agencies for agriculture, and industry professionals to give farmers accurate and current information on potential investment opportunities. Farmers can benefit from and maintain long-term sustainability through appropriate delivery services that address financial services, as financial literacy has a direct impact on socioeconomic aspects.

References

1. Aggarwal, N., Gupta, M., & Singh, S. (2014). Financial Literacy among farmers: Empirical evidence from Punjab. *Pacific Business Review International*, 6(7), 36-42.

2. Ankrah Twumasi, M., Jiang, Y., Adhikari, S., Adu Gyamfi, C., & Asare, I. (2022). Financial literacy and its determinants: The case of rural farm households in Ghana. *Agricultural Finance Review*, 82(4), 641-656.
3. Atkinson, A., & Messy, F. (2012). Measuring Financial Literacy: Results of the OECD/International Network on Financial Education (INFE) Pilot Study. OECD Working Papers on Finance, Insurance and Private Pensions, No. 15
4. Chand, P. B., & Bhatt, B (2024) Exploring literacy rate and financial literacy levels in Pancheshworrural municipality, Nepal: a secondary data analysis. *International Research Journal of Modernization in Engineering Technology and Science*. 06(04):4500-4519
5. Chandio, A.A., Jiang, Y., Rehman, A., Twumasi, M.A., Pathan, A.G. and Mohsin, M. (2020): Determinants of demand for credit by smallholder farmers': a farm level analysis based on survey in Sindh, Pakistan. *Journal of Asian Business and Economic Studies*, 28 (3), 225–240. <https://doi.org/10.1108/JABES-01-2020-0004>
6. Charyulu, K S., Selvamani, P. (2023). A Study on Financial Literacy among Farmers in Mosra Village Nizamabad District Telangana. *Journal of Propulsion Technology* 44 (4), 113-138.
7. Choudhary, K., & Kamboj, S. (2017). A study of financial literacy and its determinants: Evidence from India. *Asian Journal of Accounting Perspectives*, 10(1), 52-72.
8. Das, S., & Maji, S. K. (2023). Impact of financial literacy and financial confidence on the savings behaviour of the farmers: the Indian scene. *Agricultural Finance Review*, 83(4/5), 845-861.
9. Gautam, R. S., Rastogi, D. S., & Rawal, A. A. S. H. I. (2022). Study of financial literacy and its impact on rural development in India: Evidence using panel data analysis. *Iconic Research and Engineering Journals*, 5(9), 483-492.
10. Hogarth, J. M. (2006). Financial education and economic development. In G8 international conference on improving financial literacy (pp. 1-34).
11. Lalrinmawia, M., & Gupta, H. (2015). Literacy and Knowledge: Farmers' Financial Inclusion Feasibility. *SCMS Journal of Indian Management*, 12(3), 17-24.
12. Liew, T. P., Lim, P. W., & Liu, Y. C. (2020). Digital financial literacy: A case study of farmers from rural areas in Sarawak. *International Journal of Education and Pedagogy*, 2(4), 245-251.
13. Newar, P., & Bhuyan, A. (2022). Role of banks in promoting financial literacy among agripreneurs in Assam, India. *Journal of Agricultural Extension*, 26(4), 1-10.

14. OECD (2005), *Improving Financial Literacy: Analysis of Issues and Policies*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264012578>.
15. Patel, M. J. (2023). *The study on financial literacy among farmers of Sabarkantha and Aravalli district*. PhD. Dissertation, San Kalchand Patel University, Visnagar, Gujrat, India.
16. Proscovia, N. R., Johnny, M., Robert, B., Diana, N., & Robert, K. (2021). Influence of informal financial literacy training on financial knowledge and behavior of rural farmers: Evidence from Uganda. *Journal of Development and Agricultural Economics*. 13(3), 192-204, DOI: 10.5897/JDAE2021.1290.
17. Schwab, C., Iannicola, D., Beck, T., Hira, T., Bryant, J. H., Parker, J., & Dawson, C. (2008). President's advisory council on financial literacy. Annual Report to the President. Washington: The department of the Treasury. Retrieved from https://www.academia.edu/6708140/Presidents_Advisory_Council_on_Financial_Literacy_2008_Annual_Report_to_the_President.
18. Singla, A., & Mallik, G. (2021). Determinants of financial literacy: Empirical evidence from micro and small enterprises in India. *Asia Pacific Management Review*, 26(4), 248-255.
19. Yuni, D.N., Agbanike, T., Chukwu, A.B., Anochiwa, L.I., Enyo ghasim, M.O., Uwajumogu, N.R., Mothae, L., Ogbuagu, A.R. and Ogwuru, H.O.R. (2022): Access to credit for rice farmers and its impact on productivity: the case of Ebonyi State, Nigeria. *Studies in Agricultural Economics*, 124 (1), 37–43. <https://doi.org/10.7896/j.2236>
20. Zhllima, E., Shahu, E., Skreli, E., & Imami, D. (2024). Factors associated with smallholder farmers' financial illiteracy in the context of an emerging economy. *Studies in Agricultural Economics*, 126(1), 11-17.