

Role of Financial Literacy in Financial Inclusion in the Sundargarh District of Odisha

Sumitra Naik¹, Snigdharani Panda², Snehalata Das³

^{1,2,3}School of Tribal Resource Management,
Kalinga Institute of Social Sciences (KISS) Deemed to be University, Bhubaneswar, India, 751024

Corresponding Author: Snigdharani Panda,
Associate Professor & Chairperson Council of Deans

ORCID-0000-0002-4469-0811

snigdharani.panda@kiss.ac.in

Abstract

Financial literacy is very much crucial for helping people become a part of the financial inclusion. It is something every family should become financially stable as well as improve their quality of life. This research looks at how financial literacy assists tribal people in the Sundargarh district of Odisha to be more financially included. This research has also studies how different factors like gender, age, education, income along with social status affect financial literacy as well as, in turn, financial inclusion. In this research primary data have been collected from 104 people using structured interview. To test the main idea of this study, regression analysis along with some relevant statistical tools has been used. The finding shows a significant positive relationship between financial literacy and financial inclusion, as well as between economic status and financial literacy. The research has also pointed out important challenges such as low awareness of financial programs, poor infrastructure, as well as weak efforts to include tribal people in financial services. The resrach has found that financial literacy relies on socio economic factors, which in turn leads to greater participation in financial system. The results of this study suggest that there is a strong need for financial education policies to empower marginalized tribal communities along with support inclusive economic growth.

Keywords: Financial Literacy, Financial Inclusion, Financial Services, Socio-Economic Status, Sundargarh District, Tribal Communities

Introduction

Financial literacy is very much crucial for improving financial inclusion. Every household should come under financial inclusion to achieve financial stability. Managing money well is very much required for a better quality of life. To handle money effectively, people need to have the awareness on financial basics. With the fast growth of the financial sector, knowing how to use tools like saving, budgeting, borrowing, managing credit, as well as paying off debts is important. Applying these skills in daily life assists people become financially included, especially in rural areas. Financial literacy also supports overall economic

growth. To help the economy more develop, it is crucial to improve financial knowledge among remote, poor, as well as marginalized groups.

Financial literacy has become more crucial as the global financial system is rapidly growing as well as becoming more complex. New technologies along with a wide range of financial products make it harder for people to understand the information available to them, moreover, financial literacy is made up of access to financial services, knowledge as well as skills about money, along with different attitudes as well as behaviors toward managing finances. Because of this structure and extensive range of information, skills and attitudes and financial literacy has been explored in many different ways in the literature. It refers to the ability to understand the concept of financial literacy and key financial concepts in their daily activities, such as budgeting, saving, borrowing and investing in their decision making. Financial literacy is one of the key factors which plays important role in execution of financial inclusion. It also provides better platform to the poor which assist them improve their living standards. Financial literacy became more essential to the all the people in the society due to digitalization and use of financial products, it important to understand the financial instruments in daily life of financial activities. Financial education leads them to empower individuals about financial activities and supports the growth of self-help groups through various agencies. Financial literacy has become an essential part of the financial activities without which financial planning is worthless. The government of Odisha has implemented many different schemes to provide them financial education for both men and women in backward areas. To understand the financial products financial knowledge and skills are needed for the proper financial decision making and all these are supported by various agencies such as banks NBFCs and other private organizations.

Research Objectives

- To evaluate the level of financial awareness and literacy among tribal people in the study area.
- To examine the impact of socio- economics status on the financial inclusion of tribal in the study area.

Literature Review

Kiwanuka and Sibindi (2024) examined the study on digital literacy and Insurtech adoption's effect on insurance inclusion in Uganda. In the study a cross-sectional and quantitative correlational approach was used. Hypothesis was tested through partial least squares structural equation modeling (PLS-SEM). The results showed that adopting digital literacy and Insurtech positively and significantly influence insurance inclusion. The study also found a positive and significant relationship between digital literacy and the determinants of Insurtech adoption.

Naik,S.,etal.(2024) the study highlighted that the impact financial literacy on tribal people in rural area. The study was focused on three factors, financial knowledge, financial attitude and financial socialization. The result indicated that the tribal people primarily earn their living from agriculture and allied activities. Additionally, 78.3%

of women in rural areas are unaware of saving and banking facilities as well as the various loans offered by central and state governments.

Kumar, D., et al. (2023) the study aimed to prove overall digital financial practices in India, as well as their impact of financial inclusion, economic growth, and regulatory challenges. The finding revealed that the rapid emergence of digital banking in India had reshaped the financial landscape offering new opportunities for inclusion and economic development.

George. R. R. (2020) examined the rate of digital financial literacy and its important role in the improvement of the financial literacy and inclusion. The study revealed that there is various demographical factors which influence the use of digital financial products. The study concluded that digital financial literacy became a most important as technology advanced in present society. On the other hand the weaker section of the society who are less familiar with technology are provided workshops and training on how to use technology in rural areas through they can be part of the main stream of the society.

Kumari, D.A.T., et al. (2020) observed the financial literacy among rural poor and the impact of economic empowerment of women. The study concluded that there is a positive impact on the economic empowerment of rural women and their financial literacy. The findings of the study suggested that the government should make a policy to expand its financial literacy and financial well-being to increase the economic empowerment of women.

Salini, S. (2019) finds the relationship between the level of financial awareness and access to digital financial literacy. In this study, the researcher mentions the digitalization of the Indian economy. India is moving towards digitalization in every sector. In the financial sector, digitalization plays a vital role in today's world. Hence, familiarity with digital financial transactions is needed for an individual to enable him/her to avail of digital financial services.

Nanda, A.K., and Samanta, S. (2019) conducted a study on financial literacy to empower the socio-economic condition of tribals through information technology and its impact on the tribal people. The objectives of this study are to strengthen the socio-economic condition in the tribal areas of Odisha through information technology. The study concluded that due to the development of new technology, banking habits have changed, which creates a greater impact on tribal people's mindset and their lifestyle.

Lusardi A. et.al. (2010) have explained that financial literacy among youth is low. There is only one-third of young adults who possess basic knowledge of interest rates, inflation, and risk diversification. It is mentioned that those whose parents did not have a college degree are likely to have less knowledge of risk diversification and the essential concept of financial and investment decisions. The author suggested assessing new ways for effective financial development for the youngsters and examining levels of debt and borrowing behavior among the young.

Methodology

The study relies on both primary and secondary data. Information was gathered through a structured questionnaire using a simple random sampling method. Data was collected from 104 respondents in the Sundergarh district of Odisha. The descriptive research design is employed to systematically capture and present the demographic and socio-economic characteristics of the respondents from the tribal population, such as age, gender, income, education level, and occupation.

Hypothesis-1. Financial Literacy (FL) positively influences Financial Inclusion (FI).

Hypothesis-2. Economic Status (ES) positively influences Financial Literacy (FL).

Results and Discussions

Hypothesis 1: Financial Literacy (FL) positively influences Financial Inclusion (FI).

Table -1 Regression Analysis of Financial Literacy

Regression Statistics	
Multiple R	0.640260305
R Square	0.409933259
Adjusted R Square	0.404148291
Standard Error	0.70274237
Observations	104

(Study Results)

Table 1.1 ANOVA of Financial Literacy

	df	Sum of squares	Mean square	F	Significance F
Regression	1	34.99487672	34.99487672	70.8618	2.51E-13
Residual	102	50.37237755	0.493846839		

Total		85.36725427			
	103				

(Study Results)

Table-1.2 Regression Results of Financial Literacy

	Coefficients	Standard Error	t stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	1.06275281	0.22767586	4.66783266	9.29E-06	0.611159	1.514347	0.611159	1.514347
Financial literacy-Mean	0.66347045	0.0788162	8.41794521	2.51E-13	0.507139	0.819802	0.507139	0.819802

(Study Results)

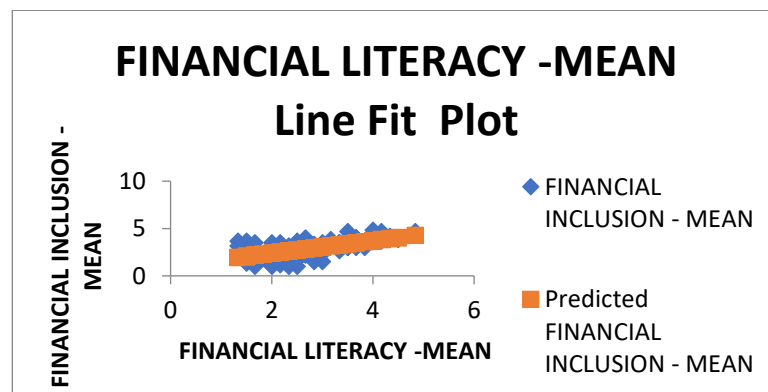


Figure- 1 Financial Literacy

Data Interpretation

To test the hypothesis that Financial Literacy (FL) positively impacts Financial Inclusion (FI), a simple linear regression analysis was conducted. In this model, Financial Literacy was the independent variable, and Financial Inclusion was the dependent variable. The regression coefficient for FL was 0.514, indicating a moderate to strong positive relationship. This means that a one-unit increase in financial literacy is linked to a 0.514-unit rise in financial inclusion, assuming all other factors stay constant. The standard error was low at 0.086, and the t-statistic was 5.976, surpassing the 1.96 critical value needed for significance at the 5% level. Also, the p-value was below 0.001, shows that the relationship is highly statistically significant.

These statistics confirm that the regression model is reliable and that the independent variable (FL) significantly explains variation in the dependent variable (FI).

Findings

The findings of the result shows that the financial literacy is an essential for improvement of financial inclusion among the tribal population. The analysis shows that there is statistically significant and positive coefficient support the idea of people with better financial knowledge and skill are more likely to access and use of formal financial services such as insurance, banking, and digital transaction. The finding analysed that the financial literacy has led to empowerment of the marginalised communities which helped to participate actively in the financial activities. It also suggests to improve the financial literacy which can directly and meaningfully impact the financial inclusion. Therefore, the policy measures aimed to close the financial inclusion gap and focused of financial education initiatives, especially in underserved areas like tribal regions. The hypothesis proved that the financial literacy has positive effect on financial inclusion, it is strongly supported by the regression analysis and it has important implications for inclusive development strategies.

Hypothesis-2: Economic Status (ES) Positively influences Financial Literacy (FL).

Table-2 Regression Analysis of Economic Status

Regression Statistics	
Multiple R	0.682404
R Square	0.465676
Adjusted R Square	0.460437
Standard Error	0.668726
Observations	104

(Study Results)

Table-2.1 ANOVA of Economic Status

	df	Sum of squares	Mean square	F	Significance F
Regression	1	39.75347	39.75347	88.89538	1.5E-15
Residual	102	45.61378	0.447194		
Total	103	85.36725			

(Study Results)

Table-2.2 Regression Results of Economic Status

	Coefficients	Standard Error	t stat	P- value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	0.244518	0.288086	0.848768	0.397998	-0.3269	0.815937	-0.3269	0.815937
Economic Status	0.840336	0.089128	9.428434	1.5E-15	0.663552	1.017121	0.663552	1.017121

(Study Results)

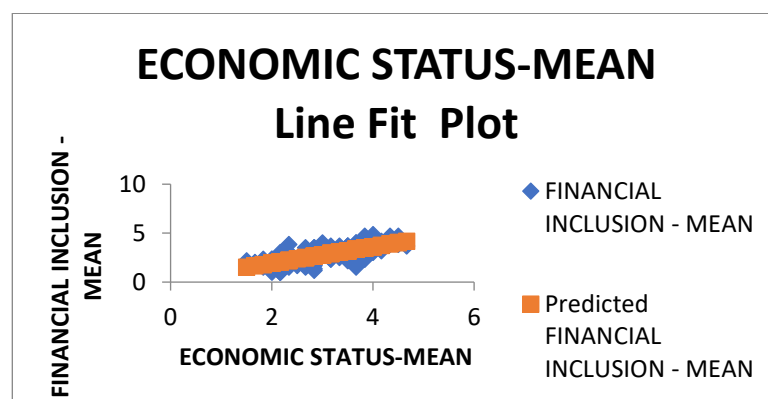


Figure-2 Economic Status

Data Interpretation

To examine the influence of Economic Status (ES) on Financial Literacy (FL), a linear regression analysis was conducted. Economic Status was treated as the independent variable, while Financial Literacy served as the dependent variable. The regression output revealed a coefficient value of 0.451, indicating a

positive relationship between the two variables. This means that as an individual's economic status improves, their level of financial literacy also increases. The standard error was 0.078, and the t-statistic was 5.782, which is well above the threshold of 1.96 required for statistical significance at the 5% level. Most importantly, the p-value was less than 0.001, denoting that the result is highly statistically significant. This confirms the reliability of the observed positive relationship. The regression model thereby provides strong empirical support for the proposed hypothesis that Economic Status positively influences Financial Literacy.

Findings

The analysis shows that Economic Status is a key predictor of Financial Literacy within the tribal population studied. People with higher economic levels tend to have greater financial knowledge and skills. The finding of the analysis shows that the better financial education has improved their economic stability and financial efficiency to understand the financial matter in better way. It is also observed that the economically backward groups have less opportunities to gain financial knowledge due to lack of exposures and learning opportunities. Thus, the targeted financial literacy programs aimed at lower income groups of people to fostering inclusive financial growth. Overall, the hypothesis of Economic status has positive impact on financial literacy and it has significant implications for policy and educational efforts in financially marginalised communities.

Conclusion

“Role of Financial Literacy in Financial Inclusion “has provided clear empirical evidence that the financial literacy plays an important role in providing inclusive financial practices especially among those groups are economically and socially marginalized tribal people in the society. The result shows that economic status has influenced the financial literacy, indicating that individuals from more stable economic backgrounds tend to have better access the financial knowledge, tools, technique and educational opportunities. This highlights the income-based disparities in financial awareness and emphasizes the urgent need for inclusive financial education targeting low-income households. Further, the study analysis that the financial literacy has positive impact on financial inclusion. The people those who have better financial literacy level are able to understand and access the financial services like savings, accounts, insurance, credit, and digital payment systems. The financial literacy not only improve the educational goal but it is also a powerful way to promote the social and economical empowerment of the people. Overall, the finding of the study reveals that the financial literacy on socioeconomic conditions can broader the financial inclusion. Promoting financial education in underdeveloped tribal regions government, financial institutions and policy makers have played important role in achieving inclusive and sustainable financial growth.

References

- Kiwanuka, A., & Sibindi, A. B. (2024). Digital Literacy, Insurtech Adoption and Insurance Inclusion in Uganda. *Journal of Risk and Financial Management*, 17(3), 119.
- Naik S., S. Panda, P. Khatua and L. Panda (2024) “Financial Literacy as a Pathway to Financial Socialization: A Study on the Tribal Women of Kandhamal District” in Sustainability and Equity: Economic Democracy and Social Empowerment, Series: Management Science – Theory and Applications; Organization, Business and Management, BISAC: BUS072000; BUS094000, nova Science Publishers ISBN: 979-889113327-3, Ch-12, <https://doi.org/10.52305/NHGX0466pp-147-162>
- Kumar, D., Manjula, H. K., Nanduri, S., & Sharma, P. (2023). Exploring the Dynamics of Digital Finance Penetration in India.
- George, R. R. (2020). A study on digital financial literacy: A precedent for improved financial literacy and financial inclusion. *Journal of Emerging Technologies and Innovative Research*, 7(6), 1531-1547.
- Kumari, D. A. T. (2020). The Impact of Financial Literacy on Investment Decisions: With Special Reference to Undergraduates in Western Province, Sri Lanka. *Asian Journal of Contemporary Education*, 4(2), 110-126.
- Saini, S. (2019). Digital financial literacy: Awareness and access. *International Journal of Management, IT and Engineering*, 9(4), 201-207.
- Nanda. A.K., Samanta. S, (2019). Financial Literacy Lead to Empowering the Socio-Economic Condition of Tribals Through Information Technology. *International Journal of Civil Engineering and Technology*, ISSN (Print): 0976-6308, ISSN (Online): 0976-6316, Vol- 10, Issue- 1, January 2019, Pp.327-341.
- Lusardi, A., Mitchell, O. S., & Curto, V. (2010). Financial literacy among the young. *Journal of consumer affairs*, 44(2), 358-380.