Analyze the Impact of Financial Literacy on Poverty-Prevention Strategies in Families: A Case Study in Bengaluru Rural District

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Abstract. This study aims to investigate the degree of financial literacy among families categorized as falling below the Poverty Line (PL) and to evaluate their capability in successfully managing financial decision-making processes. This study aims to examine the level of knowledge among participants about various financial resources and government aid programs. The technique of analysis used for this study was descriptive research. Convenience sampling, a non-probability sampling technique, was utilized, whereby data was collected from people within the community who were readily available throughout the data collecting phase of the study. The findings indicate that financial literacy can contribute to poverty reduction Better Money Management, Savings and Emergency Funds, Debt Management, Investment Knowledge, Entrepreneurship and Job Opportunities, Access to Financial Services and Poverty Prevention Strategies. The enhancement of financial literacy is expected to contribute to the achievement of financial inclusion, which is a crucial need for the Indian economy. Hence, it is essential for the government to provide guidance to those living in impoverished conditions about optimal resource management and active engagement in accessible programs.

Keywords: Key words: Financial Literacy, Poverty Line, Investment Awareness, Government Schemes

1 Introduction

Financial literacy encompasses an individual's aptitude in managing finances, including money, credit, and debt, as well as their knowledge base pertaining to the necessary information for making informed financial decisions. Financial literacy include the use

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of checking accounts, the ramifications associated with credit card usage, as well as strategies for evading debt. A vital aspect in influencing decision-making processes is the level of financial literacy on household on a day-to-day basis, including several aspects such as budgeting, housing, education, and retirement planning. Insufficient understanding of personal finance is not limited just to nations with developing economies. Furthermore, there is a notable absence of a comprehensive understanding of financial principles among individuals residing in developed or advanced countries, which hinders their ability to effectively traverse the complex financial landscape, manage financial risks, and prevent financial errors. Nations ranging from Korea to Australia to Germany are confronted with the challenge of addressing a segment of their population that lacks a comprehensive understanding of basic principles pertaining to personal finance.

The absence of financial education is a significant challenge in all nations. The ability to make appropriate financial decisions based on a comprehensive understanding of the principles and practices involved in earning and managing money. The writers of this scholarly article provide a comprehensive analysis of the interrelationships of financial education, knowledge acquisition, and achievement, alongside the impact of genetic investment biases. Financial literacy is more than the acquisition of information; it necessitates the practical application of acquired knowledge. In rising nations such as India, a significant proportion exceeding 60% of the populace resides in rural areas, underscoring the imperative need for convenient availability of banking products and services. In June 2012, the Reserve Bank of India initiated the establishment of financial education centers throughout several regions inside the nation. The degree of financial literacy significantly enhances an individual's capacity to make informed choices about money and effectively navigate the financial system. The financial industry's rapid growth is accompanied by an increase in financial literacy. The provision of financial information and help is only the first stage of fostering financial literacy. The development of information and skills related to interest computation is included in financial literacy, the impact of inflation on returns and prices, the identification and management of risks, as well as the use of diversification as a means to offset those risks. An assessment of the degree of financial awareness has been made via worldwide study. A significant portion of this research's results have provided insights on the relatively limited extent of individuals' financial literacy. In this research, household decision-making skills and financial literacy are examined.

The necessity for financial literacy is particularly urgent in India, where a significant portion of the population has limited access to formal education and career prospects. In the modern era, the current society heavily relies on access to education as a fundamental prerequisite for individuals to obtain and assimilate pertinent information, as well as develop the necessary skills to effectively navigate many practical aspects of life. Financial literacy involves a thorough grasp of financial principles, along with the efficient management and utilization of financial products and services.

2 Review of Literature

In a study done by [8], the focus was on examining the determinants of financial literacy among the millennial workforce in Coimbatore City. Global assessments of financial literacy have been conducted. A comprehensive financial literacy survey has been conducted by national governments. This study enhance comprehension of the financial literacy levels and preparation of Generation Y employees in making informed financial decisions. The results suggest that demographic factors, including gender, educational achievement, and income level, and age have a significant impact on financial literacy. If this study is successful, it might potentially result in the implementation of more efficient strategies aimed at enhancing the financial literacy of Generation Y employees.

According to [1], the growth of a nation's economy is contingent upon the importance of financial literacy. This research tries to examine the Indian economy as an emerging global power and study the present condition of India's financial industry, including the banking sector, capital markets, and insurance sector, while also investigating the effect of financial knowledge on the development of these sectors. This article's primary goal is to foster awareness of the disparities in financial literacy and difficulties faced by different types of companies. The study also examines the relationship among the components of financial literacy.

[9] asserts that the rapid development of the Indian economy in last decade, along with the liberalization, privatization, and globalization of financial markets, has led to a surplus of banking, investment, and lending products. Insufficient financial literacy acts as a barrier to individuals' capacity to make well-informed decisions regarding financial issues.

[3] conducted study on the emerging ideas of financial literacy and financial education. These concepts are designed to enhance people' understanding of financial markets and improve their management of personal resources. This study provide an accurate portrayal of the financial awareness among university students in Slovakia and to pinpoint potential strategies for enhancement in the coming years. The purpose of financial knowledge is to foster thorough comprehension of one's financial situation and gain the essential skills to navigate a dynamic economic landscape. Enhancing people' motivation and knowledge about financial management contributes to the enhancement of their employability and the expansion of their professional prospects.

[6] argue that financial literacy is a matter of global significance, and there is an increasing agreement that a more comprehensive public education in this domain would provide significant advantages. Individuals who possess financial literacy demonstrate a comprehensive understanding of concepts related to money management and pricing, enabling them to effectively manage their personal finances in a responsible manner. Individuals must have the information and skills necessary to efficiently manage their finances, reducing the danger of excessive indebtedness.

3 Research Design

3.1 Statement of the Problem

The Indian government prioritizes inclusive development. Financial inclusion and financial literacy are two characteristics of inclusive growth indicators. The promotion of financial literacy in India poses significant hurdles for governments due to the prevalence of illiteracy and the dependence on unregulated, informal networks for both routine and urgent financial need. Numerous government initiatives have been established to promote financial literacy and evaluate their effectiveness. Since 2005, the Indian government has placed significant emphasis on the need of financial education. However, it is evident that a substantial portion of the population remains uninformed about the diverse range of banking services and government initiatives that are accessible to them. This study examines the challenges encountered by Below Poverty Line (BPL) households in the Bengaluru rural district area, with a special focus on the limited engagement of these households in government welfare initiatives. This study focuses on the examination of the level of awareness among low-income families on government programs and their access to financial services.

3.2 Objective of Study

To Analysing the Impact of Financial Literacy on Poverty-Prevention Strategies in Families.

3.3 Research Hypothesis

- H0 = No significant association between “annual income and investment avenues”.
- H1 = Significant association between “annual income and investment avenues”.
- H0 = No significant difference between “benefits received from the government schemes and Income level of Families”.
- H1 = Significant difference between “benefits received from the government schemes and Income level of Families”.
- H0 = No significant impact on “financial literacy and reduce poverty line in families”.
- H1 = Significant impact on “financial literacy and reduce poverty line in families”

3.4 Research Methodology

The study incorporates both qualitative and quantitative data collection methods, as well as a comprehensive review of relevant literature. The technique of analysis used for this study was descriptive research. The findings presented in this study were derived from a combination of primary and secondary data sources. All of the survey questions pertain to matters concerning personal money. The main focus of the questionnaire is to the level of familiarity that respondents have with the various offers provided by the financial institution. This study used convenience sampling method. The sample consisted of 180 people from the Bengaluru rural region, selected based on their easy accessibility throughout the data collecting phase of the study.

4 Data Analysis

Table 1. Chi-Square Tests - Annual Income and Investment Avenues

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	11.688[a]	4	.019
Likelihood Ratio	11.890	4	.019
N of Valid Cases	180		

Table 1 demonstrates association between annual income and investment choices. The outcomes reveal a (Pearson chi-square 11.688) with a corresponding (p-value=0.019). Additionally, the likelihood chi-square statistic is 11.890, and its p-value is also 0.019. Consequently, at a significance level of 0.05, it can be inferred that there is a statistically significant association between annual income and investment avenues. Furthermore, the H0 is rejected, and H1 is accepted.

Table 2. Government Schemes and Income Level of Families

		Sum of Squares	df	Mean Square	F	Sig.
Pradhan Mantri Jan Dhan Yojana	Between Groups	31.068	5	6.214	6.107	0
	Within Groups	177.043	174	1.017		
	Total	208.111	179			
Sukanya Samridhi Yojana	Between Groups	55.509	5	11.102	21.119	0
	Within Groups	91.468	174	0.526		
	Total	146.978	179			
Pradhan Mantri Jeevan Jyothi Bhima Yojana	Between Groups	9.889	5	1.978	3.248	0.049
	Within Groups	153.089	174	0.88		
	Total	162.978	179			
National Social Assistance Scheme	Between Groups	4.176	5	0.835	2.899	0.015
	Within Groups	50.135	174	0.288		
	Total	54.311	179			

Based on the data shown in the aforementioned Table 2, find the difference between income level of families and Government investment scheme. The result shows significant value is less than 0.05 hence it concludes that there is significant difference between income level of families and Government investment scheme. It is inferred that people those who are earning more they are good in financial knowledge compare with below poverty line.

Table 3. Summary Model

R Square	Adjusted R Square	Std. Error of the Estimate
0.531	0.531	0.61794

a. Predictors: (Constant), Reduce Poverty Line in Families

Table 4. ANOVAa

Model	Sum of Squares	Sum of Squares	Mean Square	F	Sig.
Regression	4.04	4.04	4.04	21.973	.000b
Residual	3.786	3.786	0.382		
Total	7.826	7.826			

Table 5. Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.456	0.11		13.218	0
	Reduce Poverty Line in Families	0.694	0.026	0.729	26.344	0

a. Dependent Variable: Financial Literacy

From the above Table 3,4 and 5 determining the impact of the Reduce Poverty Line in Families on the Financial Literacy in families. R-square signifies the proportion of total variation in the Dependent Variable (DV) that can be accounted for by the Independent Variables (IVs). R-square value of Financial Literacy is 0.531 it means that the IV in the model can predict 53.10% of the variance in the DV. Table 4 shows model fit summary, the result show significant value is less than 0.05 which means model is fit for analysis.

Table 5 Coefficients displays the significance and magnitude of the variable within the model, indicating its influence on the Dependent Variable (DV). Typically, a significance level of 5% or 0.05 is employed for the study. A significance value (Sig.) of less than 0.05 leads to the rejection of the null hypothesis, signifying an impact. Conversely, if Sig. is greater than 0.05, the null hypothesis is not rejected, indicating no significant impact. The common regression equation is y=a + bx

Financial Literacy = 1.456+ .694(Reduce Poverty Line in Families)

It can be inferred from the Table 5 Financial Literacy is significantly impact on Reduce Poverty Line in Families 69.40%.

5 Conclusion

Financial literacy is very important for fighting poverty because it gives people and groups the power to make smart choices about their money. Financial literacy means having the knowledge and skills to handle your own money in a smart and responsible way. Comprehensive knowledge of the basic principles of finance and business is necessary to make smart financial decisions and respond well to changes in the market. According to the survey findings, a significant proportion of persons classified as Reduce Poverty Line (RPL) reported positive outcomes and satisfaction with the government's program. However, it was observed that a considerable majority of RPL individuals lacked awareness of the program's existence. Financial literacy can contribute to poverty reduction Better Money Management, Savings and Emergency Funds, Debt Management, Investment Knowledge, Entrepreneurship and Job Opportunities, Access to Financial Services and Poverty Prevention Strategies. The enhancement of financial literacy is expected to contribute to the achievement of financial inclusion, which is a crucial need for the Indian economy. The government is implementing a range of initiatives aimed at enhancing the well-being and safeguarding the economic stability of those living in poverty. There seems to be a deficiency in the efforts made by the government and financial institutions to sufficiently disseminate information on available plans and resources to families classified as Reduce Poverty Line (RPL). Hence, it is essential for the government to provide guidance to those living in impoverished conditions about optimal resource management and active engagement in accessible programs.

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