GRAMARTH

BASELINE SURVEY

REPORT

Contents

Context

In rural areas, poor and marginalized families face many challenges in improving their lives. It's like trying to find your way in a maze without a map. They often lack important information, education, and access to essential services, which makes it hard for them to achieve financial stability and success.

Palghar district, located in the western state of Maharashtra, India, is known for its natural beauty and cultural heritage. Though, below this picturesque surface lies a significant issue that hampers the socio-economic progress of its rural communities: a severe lack of financial knowledge and inclusion. This issue goes beyond mere ignorance about financial matters; it includes deeply rooted attitudes and behaviours related to money management, which fundamentally impact financial well-being and stability.

Despite being a crucial part of the country's agricultural sector, many rural residents face major challenges due to financial illiteracy and limited access to mainstream financial services. As a result, families are often exposed to exploitative lending practices, high-interest loans, and crippling debt, which perpetuate their cycle of poverty. Also, the lack of financial inclusion leaves households vulnerable to unexpected emergencies, as they are unable to access suitable insurance or savings mechanisms to protect against financial shocks. Consequently, many option to informal financial channels, continuing a cycle of dependence on exploitative practices and hindering economic mobility.

Align to these challenges are the insidious threats posed by modern technology. Online credit fraud targets unsuspecting rural individuals, offering quick loans with exorbitant interest rates and hidden fees, ultimately leading to financial ruin. Likewise, the widespread availability of online gambling platforms exacerbates financial vulnerabilities, especially in rural youth, they are increasingly drawn to online gambling and gaming, risking their financial stability for quick gains and entertainment. Simultaneously, impulsive spending on high-cost items like smartphones and motorcycles undermines their financial credibility, leaving them vulnerable to debt and insecurity.

The lack of financial literacy not only hampers individual households but also hinders the overall economic growth and resilience of the region. Small and medium enterprises (SMEs), crucial to rural economies, struggle to access formal credit and investment opportunities due to inadequate financial knowledge and documentation. Consequently, the entrepreneurial spirit within the community remains underutilized, hindering innovation and stifling economic diversification and growth.

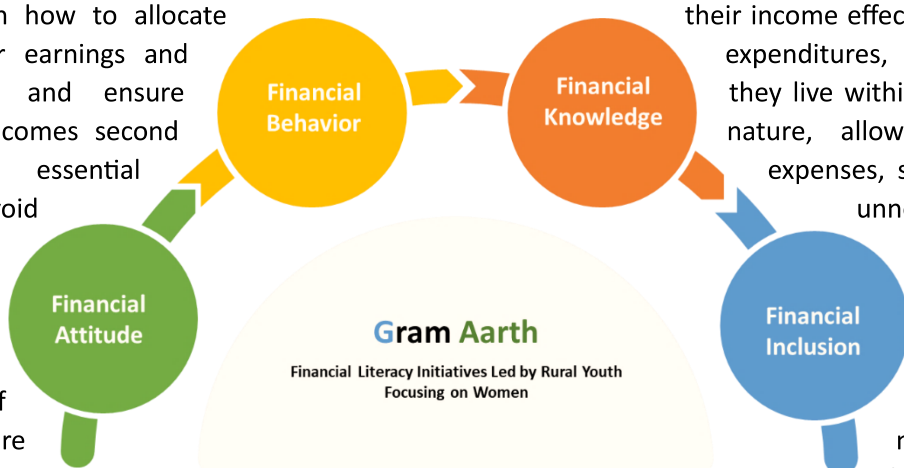
Government of India data reveals a troubling state of financial literacy across the country, with an average overall score of only 11.9 out of 21(Reserve Bank of India,2021). This suggests that individuals possess just over half of the necessary knowledge for making informed financial decisions. But, this issue is significantly more pronounced in rural India. According to a report by the Reserve Bank of India (RBI) in 2019, financial literacy levels in rural areas are considerably lower, with only 24% of rural residents demonstrating basic financial knowledge compared to 33% in urban areas (Reserve Bank of India, 2019).

Several factors contribute to this disparity. The recent RBI report highlights that Rural India has limited access to formal financial institutions. Also, lower educational attainment in rural areas further impedes financial literacy. The Annual Status of Education Report (ASER) 2022 shows that education levels in rural areas are lower than in urban centers, which affects overall financial knowledge. The deficiency of targeted financial literacy programs in rural areas has significantly exacerbated vulnerabilities to financial fraud. According to the 2023 report by the Indian Council for Research on International Economic Relations (ICRIER), 67.8% of online financial fraud incidents in India have been attributed to this gap. Bridging the financial literacy gap between urban and rural areas is crucial for the development of inclusive economic growth. Empowering individuals in rural regions with the knowledge and tools to manage their finances effectively is essential for enabling them to navigate their financial futures with confidence and achieve economic stability. Issues related to financial literacy and inclusion in rural areas are not just a matter of individual development; it is essential for unlocking the national economic potential and nurturing sustainable development. Through bridging the gap between financial literacy and practice, we can pave the way for economic empowerment, financial stability, and enhanced opportunities for growth and prosperity within the Palghar district.

Concept of Financial Literacy

Imagine a world where every individual possesses the knowledge and confidence to navigate their financial landscape with ease. In this world, financial literacy isn't just an abstract idea but a practical tool that people use daily to manage their money wisely.

In this ideal scenario, individuals understand the importance of budgeting—a skill that enables them to plan how to allocate their income effectively. Through tracking their earnings and expenditures, they prevent overspending and ensure they live within their means. Budgeting becomes second nature, allowing them to prioritize essential expenses, save for future goals, and avoid unnecessary debt. Saving is another cornerstone of this financially savvy world. People set aside a portion of their income for future needs, building emergency funds to cover unexpected expenses and saving for significant life events like education, health or retirement. With this financial cushion, they face unforeseen challenges with confidence, knowing they have a safety net to rely on. In this world, individuals are also adept at investing. They understand how to use their money to acquire assets that grow in value over time. Whether investing in government schemes, bonds, mutual funds etc, they know how to assess risks and opportunities. This knowledge empowers them to build wealth strategically and achieve long-term financial goals, paving the way for a more prosperous future. Debt management is another area where financial literacy shines. Individuals comprehend the terms and implications of loans and credit. They make timely payments, avoid excessive borrowing, and carefully manage their credit scores. This skill helps them steer clear of high-interest charges and maintain a healthy credit profile, reducing financial stress.



Ultimately, financial literacy changes how people handle their money, turning what might cause stress into a path toward confidence and success. It becomes the foundation of a strong society, where individuals make smart financial choices, grow their wealth, and help build more resilient and prosperous communities.

Definition of Financial Literacy

(i) *"Financial literacy is a broad term with multiple meanings, depending on an individual's situation. It may mean learning how to create and manage a household budget, invest money for retirement, or participat in one-on-one coaching and counselling to determine how to buy a house or start a business. It also is part of an overall strategy to increase economic security for lower-income families. Financial education, just like reading and writing, affects the well-being of every individual. It also affects every community's economic and social well-being and, ultimately, the overall strength of the nation's economy."* National and State Council Legislation, Wisconsin

(i) *"Financial education is the process by which individuals improve their understanding of financial products and concepts; and through information, instruction and/or objective advice develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being and protection."* Organisation for Economic Co-operation and Development, 2005.

Domains of Financial Literacy

(i) Financial Knowledge: Financial knowledge is fundamental to navigating the complexities of personal finance and making informed decisions. It includes understanding economic indicators such as inflation, interest rates, and GDP growth, which influence financial planning and investment strategies. Likewise, it involves comparing and evaluating various financial products and services to choose those that align with individual financial goals and risk tolerance. Numeracy skills in a financial context enable individuals to budget effectively, calculate returns on investments, and manage debt responsibly. This knowledge empowers individuals to react proactively to economic changes and make sound financial decisions that enhance their financial well-being over time.

(ii) Financial Behavior: Financial behaviour includes the actions and choices individuals make regarding their finances, which significantly impact their financial health and stability. Positive financial behaviours include disciplined saving habits, adherence to budgeting plans, and proactive debt management strategies. These behaviours contribute to building financial resilience and achieving long-term financial goals. On the contrary, negative financial behaviors such as overspending, borrowing beyond means, or delaying bill payments can lead to financial stress, and debt accumulation, and hinder progress towards financial security. Developing and maintaining positive financial behaviours is crucial for sustaining financial health and achieving financial independence.

(iii) Financial Attitude: Financial attitude refers to individuals' beliefs, values, and emotions towards money and financial decisions. It influences their approach to saving, spending, and investing, often shaping their financial habits and behaviours. A positive financial attitude involves prioritizing long-term financial goals over short-term desires, practising financial discipline, and being open to learning and adapting to changing financial circumstances. It also includes understanding personal financial values and aligning financial decisions with these values to achieve greater financial satisfaction and security.

(iv) Financial Inclusion: Financial inclusion is a holistic approach to ensuring that all individuals, regardless of socio-economic background, have access to essential financial services and products. It includes initiatives to expand financial access through providing affordable and timely access to banking services, credit, insurance, and savings opportunities, financial inclusion empowers individuals to participate more actively in the economy. It plays a critical role in reducing poverty, promoting economic growth, and nurturing social inclusion using enabling marginalized and underserved communities to build assets, manage risks, and improve their overall quality of life.

Importance of Finance Literacy

In the rural context of India, financial literacy is crucial for several reasons, each contributing to the holistic development of individuals and communities:

(i) Economic Empowerment: Financial literacy empowers rural individuals with the knowledge and skills needed to manage their finances effectively. This includes learning to save, budget wisely, and invest prudently, all of which contribute to greater financial stability and personal independence. Empowered individuals are better equipped to support their families and actively contribute to local economic growth.

(ii) Access to Financial Services: Access to financial services is often limited in rural areas, posing a significant challenge to economic progress. Financial literacy bridges this gap through educating individuals about banking services, credit options, insurance mechanisms, and investment opportunities. Armed with this knowledge, rural residents can leverage financial tools to enhance their economic circumstances and secure their financial futures.

(iii) Poverty Alleviation: Financially literate individuals are adept at making informed financial decisions that lead to increased savings and productive investments. This capability not only helps lift households out of poverty but also builds resilience against economic uncertainties. Planning effectively and investing wisely, rural families can build assets and create a financial buffer against unexpected challenges.

(iv) Entrepreneurship and Income Generation: Financial literacy serves as a catalyst for entrepreneurship in rural areas by equipping individuals with essential financial management skills. Knowledge about cash flow management, accessing loans, and reinvesting profits enables aspiring entrepreneurs to start and expand small businesses. This entrepreneurial spirit not only boosts personal income but also generates employment opportunities within the community, driving local economic growth.

(v) Risk Management: Rural populations often face various risks, such as agricultural uncertainties, health emergencies, and natural disasters. Financial literacy enables individuals to understand and utilize insurance products effectively, thereby mitigating these risks and protecting their livelihoods.

(vi) Protection Against Exploitation: Financially illiterate individuals are vulnerable to exploitation through predatory lending practices and fraudulent financial schemes. Financial literacy empowers rural residents to discern between legitimate financial opportunities and deceptive schemes. Armed with knowledge about their rights and financial products, they can make informed choices and safeguard themselves against financial exploitation.

(vii) Community Development: At a community level, financial literacy fosters collective economic development. Financially literate individuals are more likely to participate in community-driven financial initiatives such as self-help groups and cooperatives. These initiatives pool resources, promote mutual support and facilitate collective investments in local infrastructure, healthcare, education, and other vital services. This collective effort strengthens community resilience and enhances the overall quality of life in rural areas.

Approach and Methodology

In the Dahanu and Vikramgad block in Palghar, Maharashtra, a significant study unfolded, focusing on four villages that embody the diverse tapestry of rural life in this region. These villages were carefully selected to offer a representative snapshot of the local population, capturing a range of demographics, economic activities, and cultural practices.

The study boarded on a journey to explore the essence of community life and the intricate layers of socioeconomic conditions that define these rural settings. Researchers delved into various aspects of village life, from household incomes and educational levels to healthcare accessibility, infrastructure development, and community governance.

To uncover these insights, a blend of qualitative and quantitative methods was used. Surveys provided a broad overview, capturing data on income sources and patterns. They revealed how residents manage their finances, what economic activities sustain their households, and where income disparities might exist. Interviews with villagers, community leaders, and local authorities offered a deeper, more personal perspective. These conversations illuminated the challenges faced in accessing education and healthcare, and highlighted the nuances of local governance. Focus group discussions brought together diverse voices from the community, allowing for a collective exploration of common issues and aspirations. Through these discussions, the study uncovered how infrastructure needs—such as roads, sanitation, and housing—impact daily life and how community members engage with local decision-making processes.

As the study gathered momentum, it became clear that the findings would be instrumental in shaping future development interventions. The data collected painted a vivid picture of the current state of affairs and the pressing needs of these villages. It became evident that targeted efforts were necessary to address socioeconomic challenges, improve infrastructure, and strengthen community governance. The insights gained were not just statistics but a reflection of the lived experiences of the villagers. They offered a roadmap for policymakers and development practitioners to design interventions that are not only effective but also deeply attuned to the specific contexts of the Dahanu block.

This study aimed to bridge the gap between the realities of rural life and the strategies needed for sustainable development. Focusing on these three villages, it sought to provide a comprehensive understanding of rural dynamics, paving the way for initiatives that would enhance the overall well-being of the communities in Palghar, Maharashtra. The goal was clear to transform these insights into actionable plans that would uplift the villages and contribute to a more prosperous and resilient rural landscape.

Sample Design: The sample consists of 213 adult respondents aged between 18 to 80 years, categorized by rural location and gender (male/female). A random sampling approach has been implemented, involving the selection of villages, households within villages, and ultimately individual respondents. The total sample size is approximately 213, with slight variations possible during the actual selection process across different sampling stages. The distribution of the sample across districts adheres to the sampling plan outlined in the project's terms of reference

Specific Distribution of Sample Unit

State	District	Block	Village	Household	Male	Female
Maharashtra	Palghar	Dahanu	Amboli	73	48	25
Maharashtra	Palghar	Dahanu	Dhanivari	66	45	21
Maharashtra	Palghar	Vikramgad	Bandhan	33	19	14
Maharashtra	Palghar	Vikramgad	Uprale	31	16	15

Data collection tool: The data collection tool we developed, embodies a meticulous approach to evaluating participants' financial literacy and inclusion. It systematically calculates a comprehensive assessment score for each participant across pivotal domains: Financial Knowledge, where a maximum score of 18 signifies their grasp of financial concepts; Financial Behavior, scored up to 11 to analyze their financial decision-making; Financial Attitude, assessed with a score of 7 to understand their outlook on financial matters; and Financial Inclusion, with a score of 9 reflecting their access to and use of financial services.

SN	Domain/ Score	Minimum Score	Maximum Score
1	Financial Knowledge	0	18
2	Financial Behavior	0	11
3	Financial Attitude	0	7
4	Financial Inclusion	0	9
5	Total Score	-	45
	Total Score in Percentage	**0**	**100**

This methodology ensures an evaluation of participants' financial literacy level. Aggregating scores across these domains, our tool provides a measure of overall financial health and empowerment. The approach aims to deliver precise insights into participants' financial competencies, offering valuable guidance for enhancing financial management skills and accessing economic opportunities effectively.

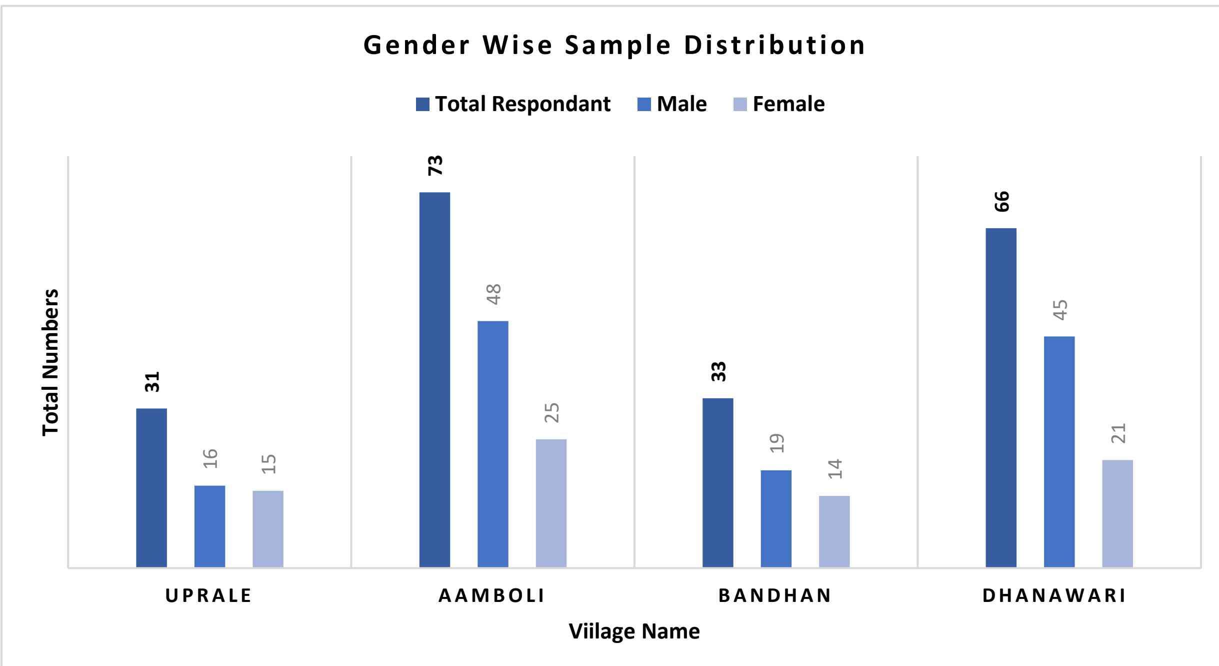
Training of the data collection: Comprehensive training on the data collection tool was provided to the 10 enumerators.

Data Collection Process

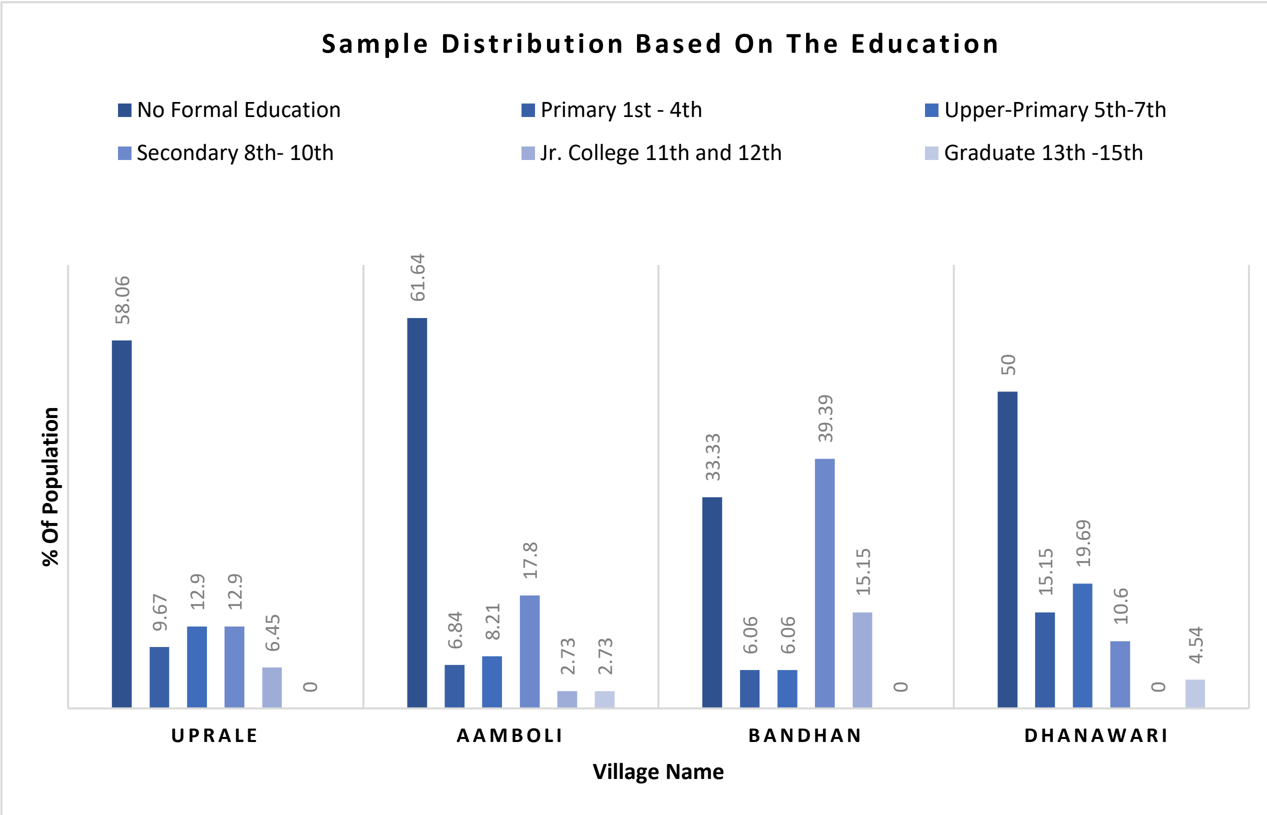
The data collection process was structured and executed under the guidance of supervisors and team leaders, in collaboration with the enumerator. Detailed local plans were planned to facilitate the systematic movement of investigator teams as they visited households to collect data. These pre-defined movement plans were to be adhered to strictly, except in cases where specific reasons necessitated deviations. Upon initial contact with each respondent, investigators clearly articulated the study's objectives and its significance, thereby encouraging participation. They ensured that respondents were fully informed and had given their consent to provide the necessary information. Minimizing non-response rates was a critical priority. To guarantee the quality of the data—ensuring both accuracy and consistency—the enumerator allocated sufficient time to each respondent. When respondents were unavailable or required more time to provide complete information, investigators conducted repeated or additional visits to the households. This rigorous approach aimed to achieve a high response rate and ensure the thoroughness and reliability of the collected data, thereby upholding the integrity of the research.

Demographic and Socio-Economic Features of the Respondent Population

Gender wise Distribution of the Sample: Village-wise Distribution of the Sample: The study included 203 individuals from four villages—Uprale, Aamboli, Bandhan, and Dhanawari. In Uprale, 31 respondents participated, with an almost equal distribution of 16 males and 15 females. Aamboli had the largest sample size, with 73 respondents—48 males and 25 females. Bandhan's sample consisted of 33 individuals, including 19 males and 14 females. Dhanawari had 66 respondents, with 45 males and 21 females. The data provides an overview of the population distribution across these villages, capturing responses from both men and women.

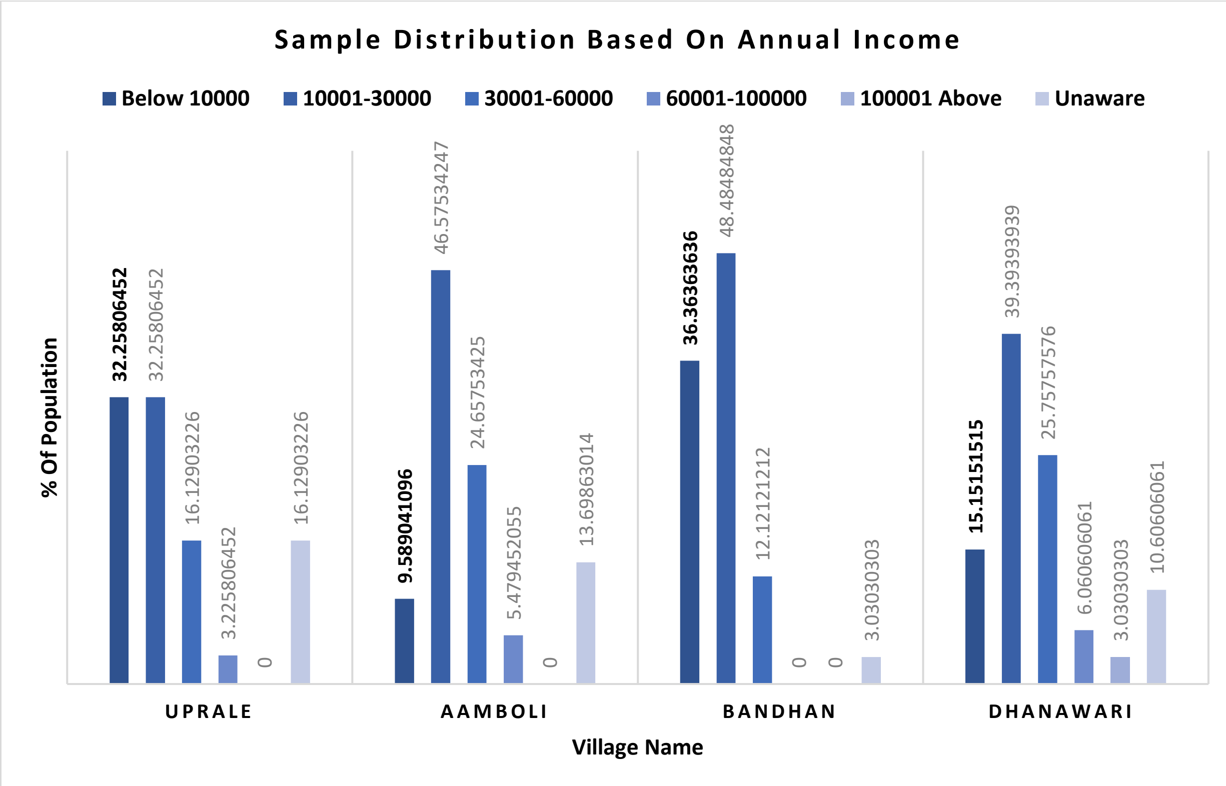


Sample distribution based on education: The surveyed villages—Uprale, Aamboli, Bandhan, and Dhanawari—display varied educational levels among respondents. In Uprale, 58.1% of respondents have no formal education, while 9.7% have completed primary, 12.9% upper-primary, and 12.9% secondary education. Aamboli shows a similar trend, with 61.6% lacking formal education. Here, 6.8% have completed primary, 8.2% upper-primary, and 17.8% secondary education. Only 2.7% have attained junior college or a graduate degree. In Bandhan, 33.3% of respondents have no formal education. Though, 39.4% have completed secondary education, with 15.2% having junior college education. Dhanawari has 50% of respondents without formal education, while 15.2% have completed primary, 19.7% upper-primary, and



10.6% secondary education. Additionally, 4.5% of respondents hold a graduate degree.

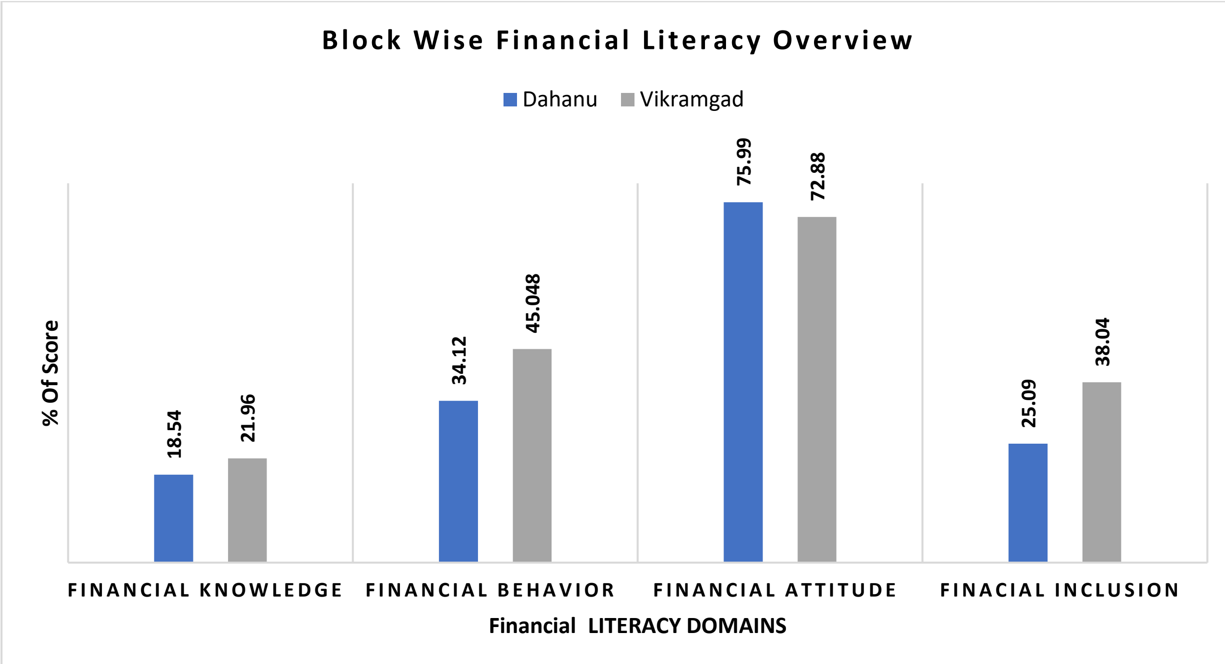
Distribution of Population-based on Annual Income:



In Uprale, 64.52% of respondents earn less than ₹30,000 annually, and 16.13% are unaware of their income.In Aamboli, 46.58% of respondents have an annual income between ₹10,001 and ₹30,000, with 13.70% being unaware of their income.In Bandhan, 84.84% of respondents earn below ₹30,000 annually, and 3.03% are unsure of their income.In Dhanawari, 54.54% of respondents earn below ₹30,000, 25.76% earn between ₹30,001 and ₹60,000, and some earn above ₹60,000. Also, 10.61% of respondents do not know their income.

Data Analysis

Block Wise Financial Literacy Overview



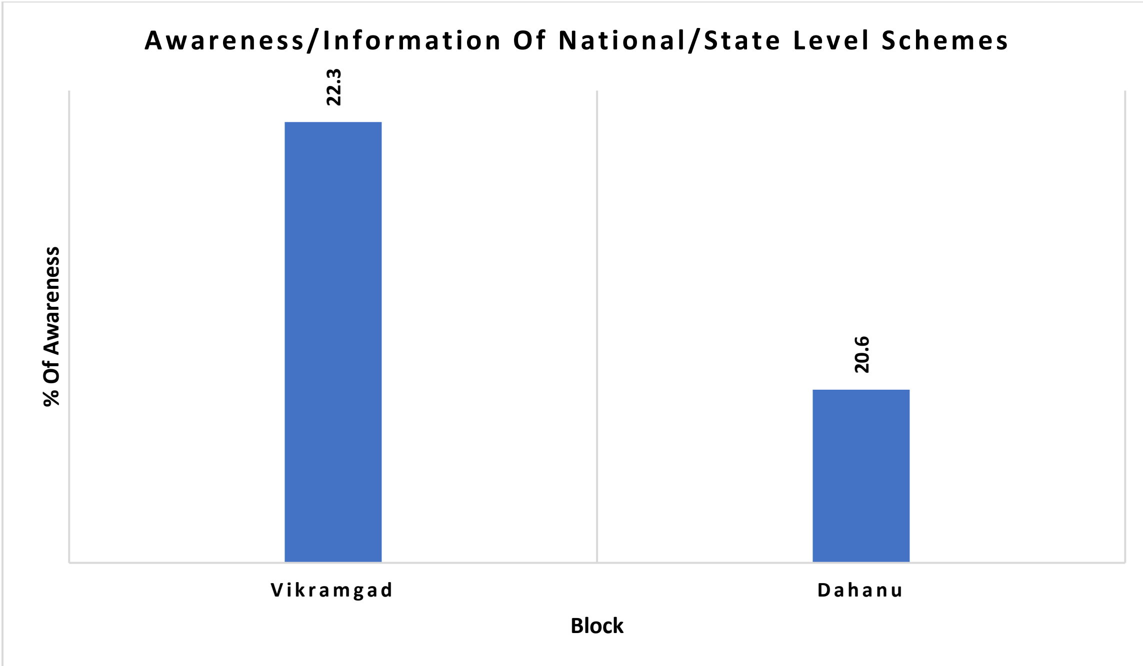
The financial literacy data for the blocks of Dahanu and Vikramgad paints a concerning picture. Both blocks show low levels of financial knowledge, with Dahanu at 18.54 and Vikramgad at 21.96, indicating a widespread lack of understanding of financial concepts. Despite a generally positive attitude towards financial management, as reflected by scores of 75.99 in Dahanu and 72.88 in Vikramgad, this does not lead to effective financial practices. Financial behaviour is particularly weak in Dahanu, scoring 34.12 compared to Vikramgad's 45.048. Also, financial inclusion remains limited, with Dahanu scoring 25.09 and Vikramgad at 38.04. Overall, the data reveals significant deficiencies in financial literacy across both blocks.

A) Critical Areas Under the Financial Knowledge:

Our analysis has identified several fundamental areas that require increased focus to effectively achieve the ultimate goals of financial literacy.

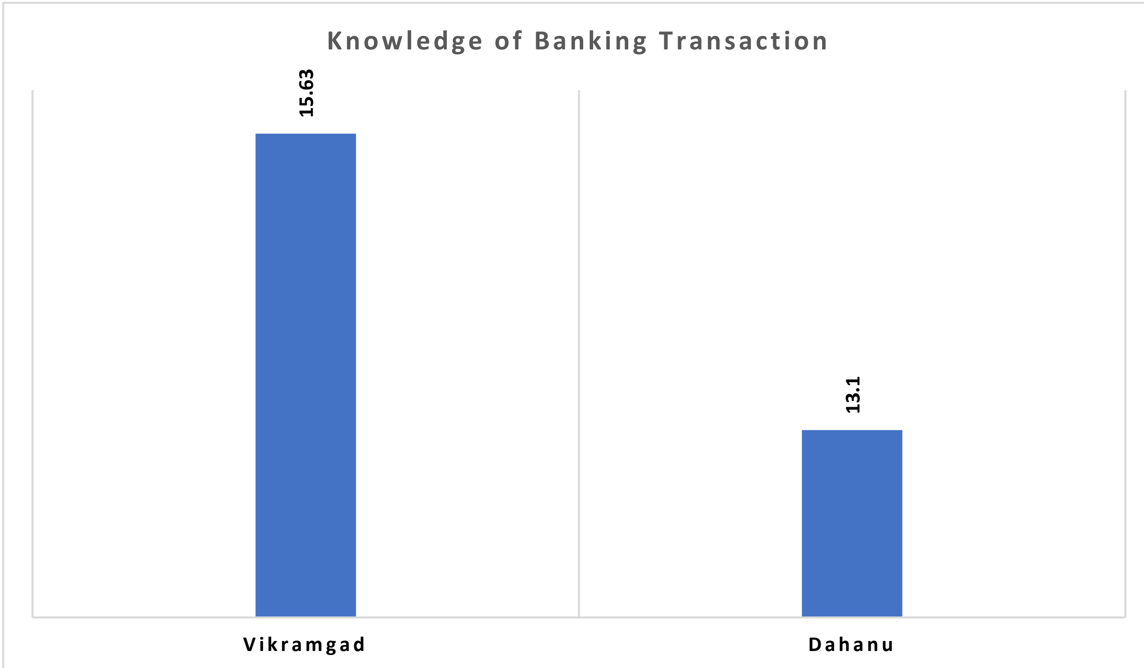
a.1) Information/ Awareness of Households Related to National/State Security Schemes:

The awareness of national and state-level social security schemes in Dahanu and Vikramgad blocks is alarmingly low. In Vikramgad, only 22.3% of the population is aware of schemes such as pension plans, insurance programs, and girl child security initiatives. The situation is even more dire in Dahanu, where awareness drops to just 20.6%. This means that, on average, a mere 21% of people across both blocks have any knowledge of these crucial schemes. The vast majority of the population remains uninformed, leaving them vulnerable to the financial shocks and burdens that these schemes are designed to mitigate. This common lack of awareness represents a serious gap in the social security net, potentially risking the well-being and stability of the major population.



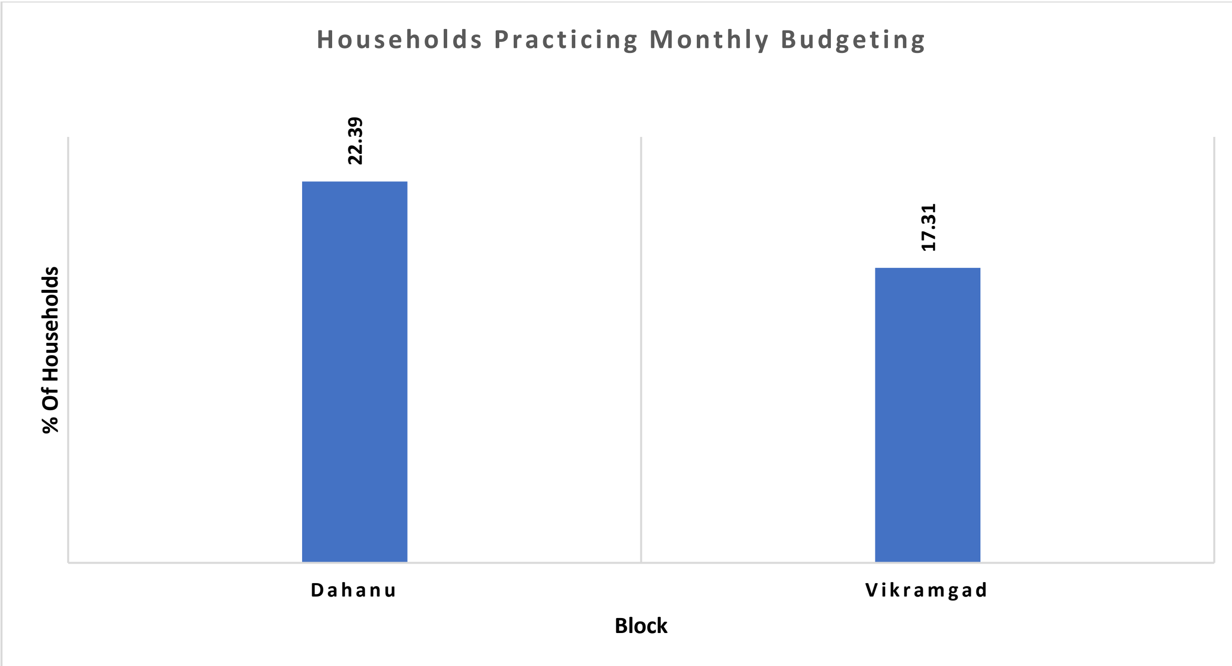
a.2) Knowledge of Basic Banking Transactions:

The knowledge of basic banking transactions, such as money withdrawal and deposit, is alarmingly low in both Dahanu and Vikramgad blocks. In Vikramgad, only 15.63% of the population has a basic understanding of these essential banking functions, while in Dahanu, the situation is even worse, with just 13.1% of people possessing this knowledge. These figures underscore a significant gap in financial literacy, which leaves the majority of the population at a severe disadvantage in managing their finances. This widespread lack of basic banking knowledge poses serious risks to financial inclusion and the overall economic stability of these regions.

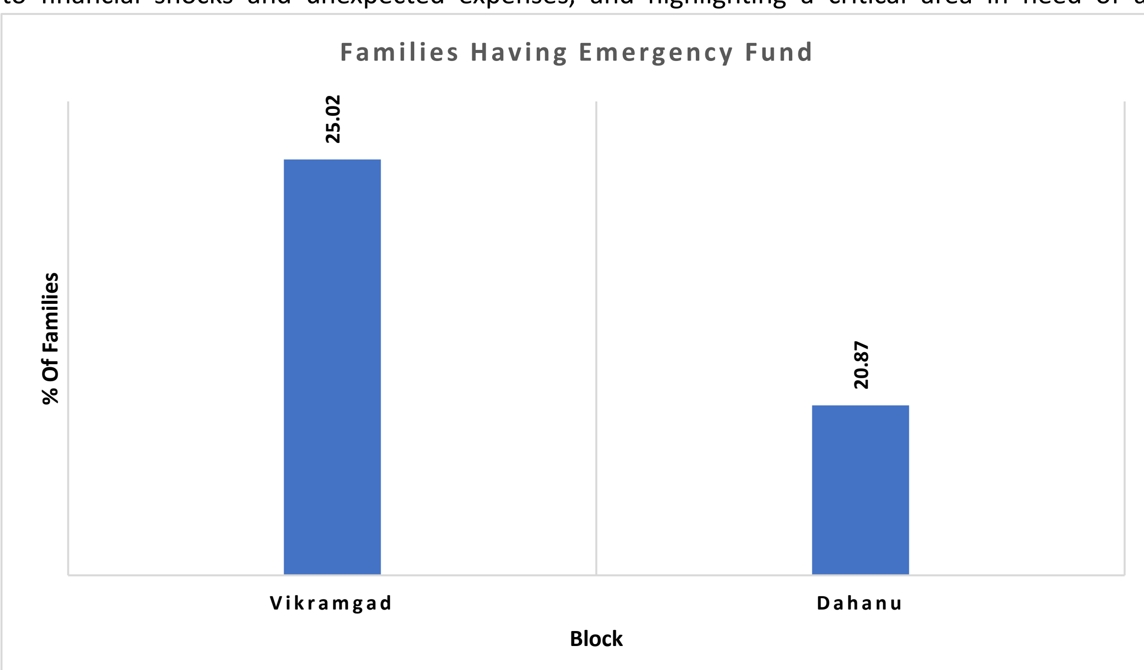


B. Critical Areas Under Financial Behavior: Critical areas related to financial behaviour have been identified as major contributors to overall financial literacy. These areas are particularly concerning as they significantly impact individuals' ability to manage their finances effectively. Addressing these weaknesses in financial behaviour is essential for improving financial literacy and ensuring long-term economic stability and well-being in the community.

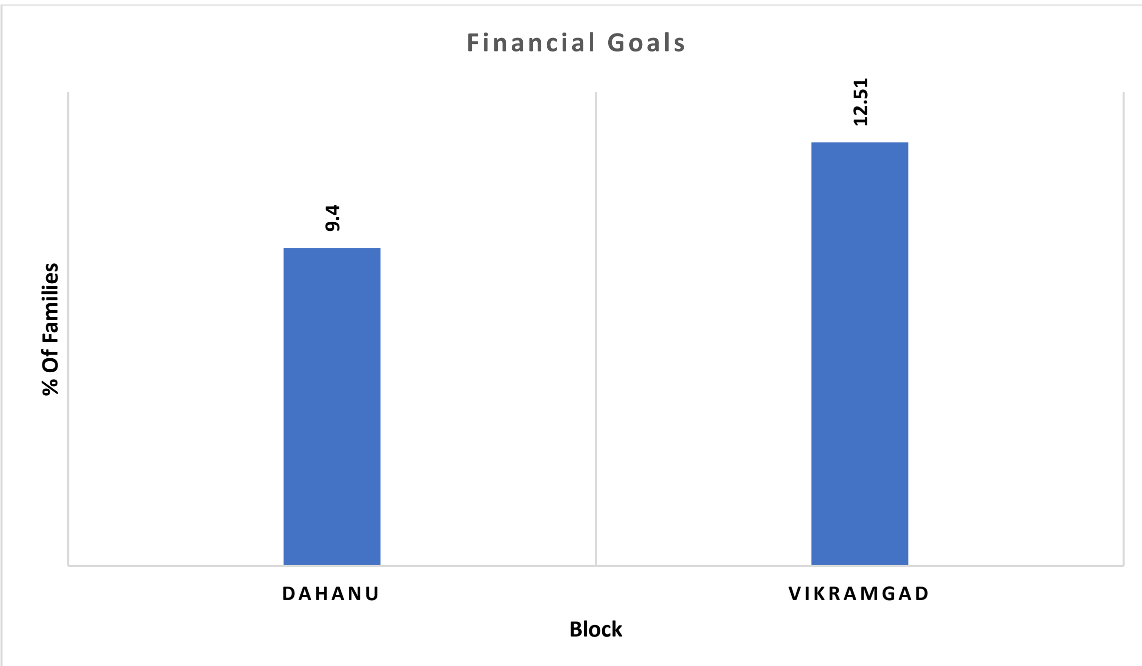
b.1). Household Practicing Monthly Budgeting: Household budgeting practices are virtually nonexistent in both Dahanu and Vikramgad blocks. In Vikramgad, only 22.39% of households engage in monthly budgeting, while Dahanu is even lower, with just 17.31% of households practicing this essential financial management tool. This trend indicates that most families cannot distinguish between essential and non-essential expenses, which can lead to poor financial planning and increased vulnerability to economic instability. The lack of budgeting practices further exacerbates the challenges these households face in managing their finances effectively.



b.2). Families having Emergency Funds: The graph reveals a significant vulnerability among families in Vikramgad and Dahanu blocks when it comes to financial preparedness. In Vikramgad, only 25% of families have emergency funds, and in Dahanu, this number is even lower at 21%. On average, just 23% of families across both blocks have taken steps to secure their financial stability through emergency funds. This leaves the vast majority of households—77%—without a safety net, making them highly vulnerable to financial shocks and unexpected expenses, and highlighting a critical area in need of attention.



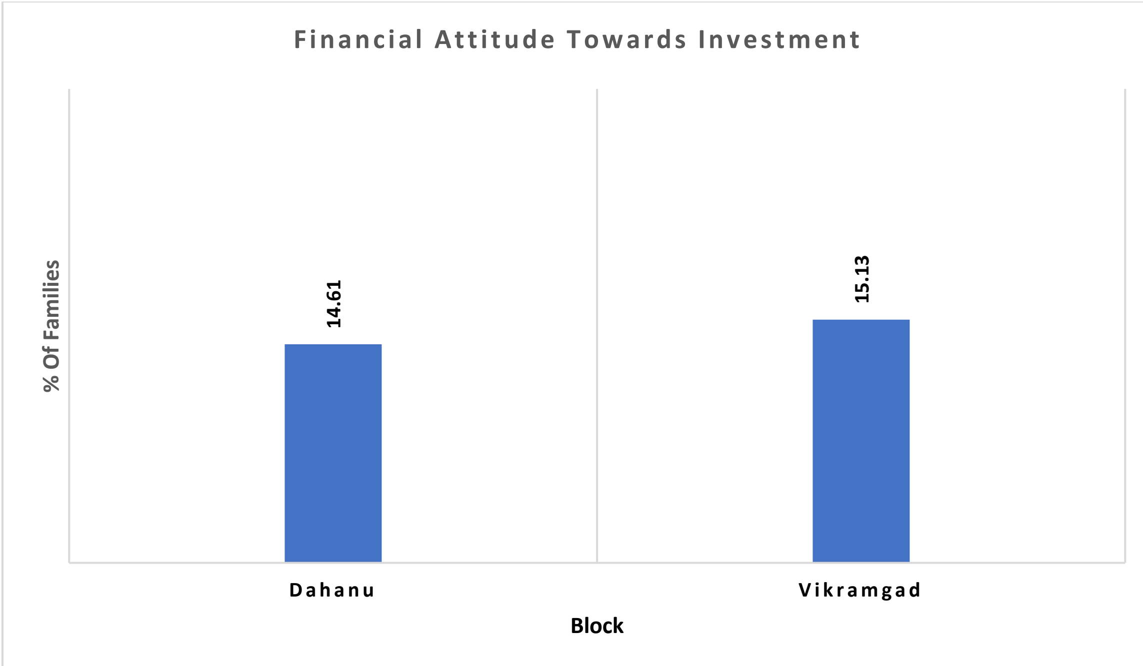
b.3) Financial Goals: The graph reveals a troubling trend regarding financial goal-setting in both Dahanu and Vikramgad blocks. In Dahanu, only 9.4% of families have considered setting financial goals, reflecting a significant lack of planning for financial stability. Similarly, Vikramgad shows a marginally better but still concerning figure, with only 12.51% of families having thought about their financial goals. These low percentages highlight a serious deficiency in proactive financial planning, leaving many families without a clear strategy for achieving financial stability and long-term security.



C) Critical Areas Related to Financial Attitude:

This section provides a block-wise critical areas analysis of families' financial attitudes, and a detailed assessment of their financial behavior and mindset across different regions.

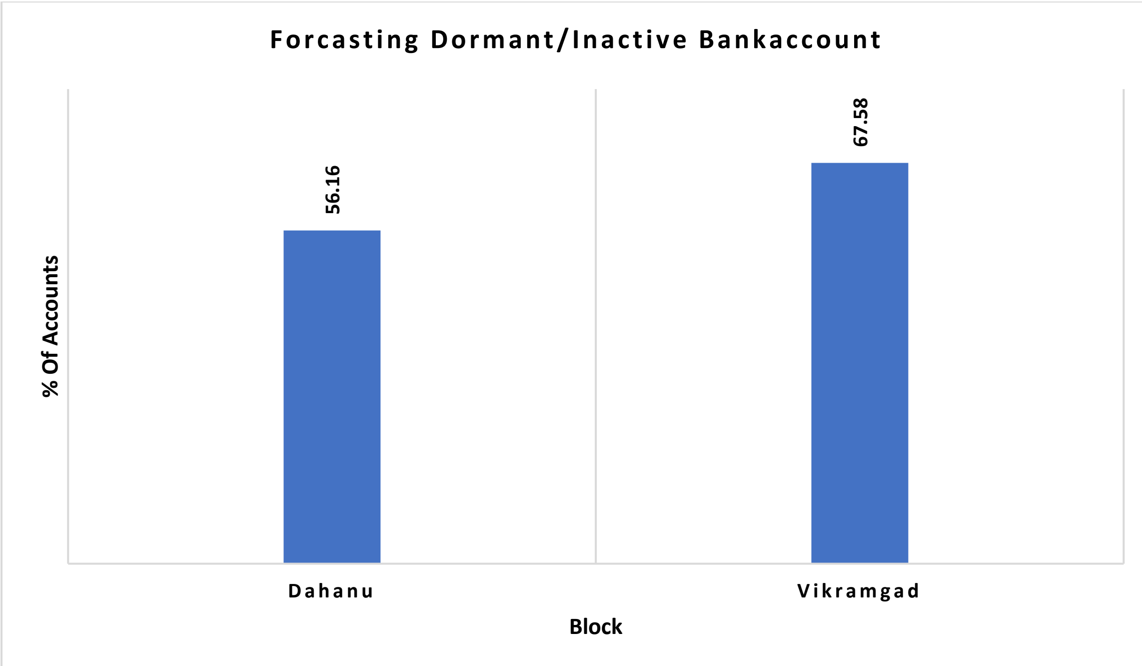
c.1) Financial attitude towards investment: The graph illustrates a concerningly low level of positive financial attitude towards investment and saving in both Dahanu and Vikramgad blocks. In Dahanu, only 14.61% of families demonstrate a positive attitude towards investing for their future. Similarly, Vikramgad shows a slightly higher but still inadequate figure, with only 15.13% of families exhibiting a positive investment outlook. These figures indicate a significant lack of proactive financial planning and investment mindset among the majority of families, which could adversely affect their long-term financial stability and growth.



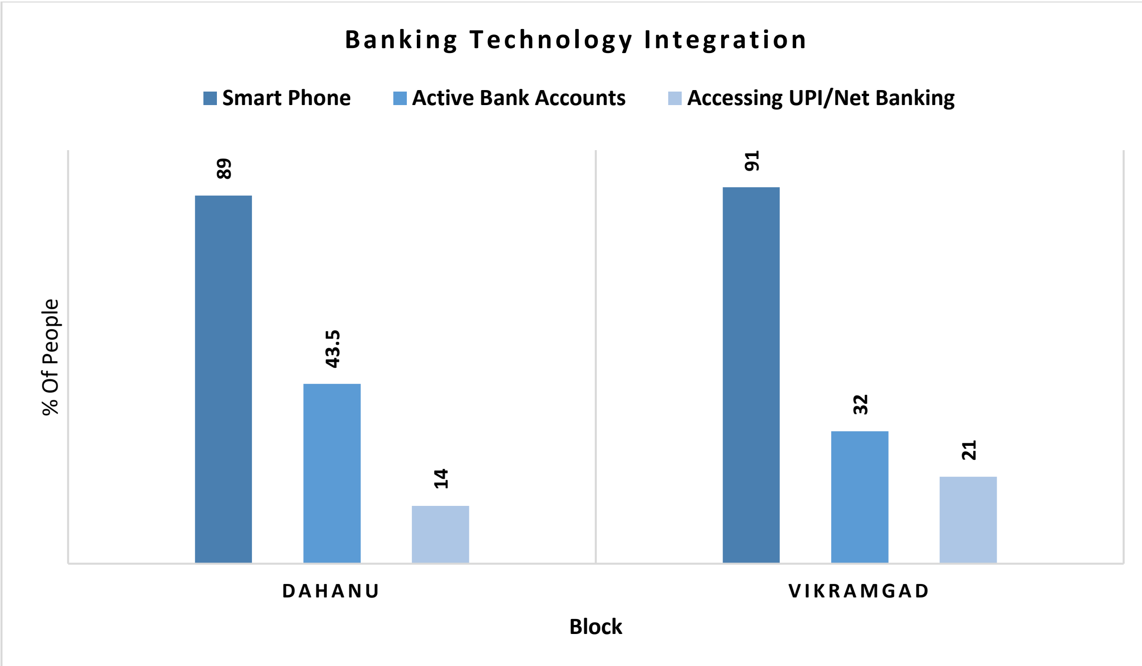
D) Critical areas under financial Inclusion:

In this section, we'll see the crucial components of financial inclusion. Which needs to more attention for the project planning.

d.1) Inactive/Dormant Bank account: The data reveals a high level of inactivity among bank accounts in both the Dahanu and Vikramgad blocks. On average, 62% of bank accounts in these areas are dormant. Specifically, 56% of bank accounts in Dahanu are inactive, while the situation is more severe in Vikramgad, where 67% of bank accounts are dormant. This widespread dormancy indicates a significant issue with account utilization and financial engagement, suggesting that many individuals are not actively managing their bank accounts, which could impact their financial stability and access to services.



d.2) Banking technology integration: The graph highlights a significant disconnect between technology ownership and its usage for banking purposes in Dahanu and Vikramgad blocks. In Dahanu, while 89% of families own smartphones, only 43.5% have active bank accounts, and a mere 14% utilize technology like UPI or online banking for day-to-day transactions. Similarly, in Vikramgad, 91% of families have smartphones, but just 32% have active bank accounts, with only 21% using technology for banking. This data underscores a substantial gap between the availability of technology and its application in financial activities, indicating that despite common access to smartphones, most families are not leveraging them to manage their finances effectively.



Major Findings

A) Overall Financial Literacy

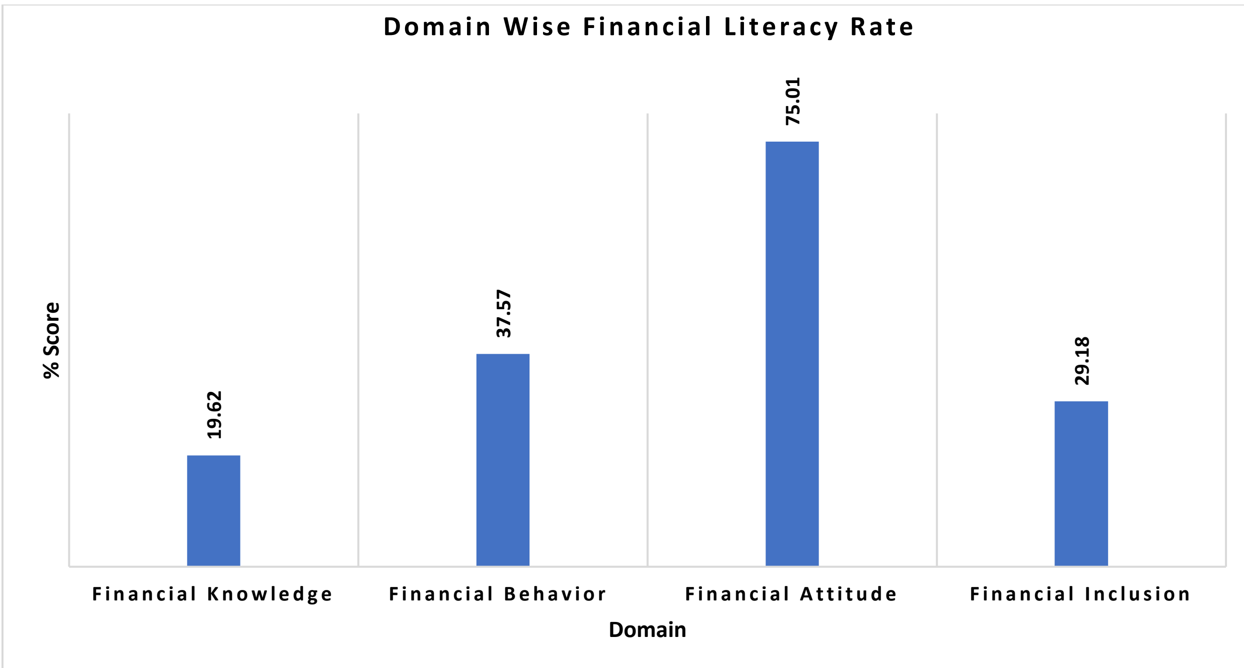
The overall financial literacy score of the population is 40.34, and Financial Knowledge is 19.62% overall knowledge rate. The low percentage of financial knowledge highlights a critical gap in understanding fundamental financial concepts. This limited knowledge base suggests that individuals in these villages may struggle with basic financial decision-making, such as budgeting, saving, and investing. The deficiency in financial knowledge could directly impact their financial behaviour and attitude, leading to ineffective management of personal finances.

Financial Behavior: 37.57% The moderate rate of financial behaviour indicates that while some individuals engage in sound financial practices, there remains a significant proportion with room for improvement. Effective financial behaviour encompasses budgeting, saving regularly, and managing debt responsibly. The current rate suggests that even though there is some awareness and practice of these behaviours, the impact is limited by the low level of financial knowledge. Enhancing financial literacy could lead to improved financial behavior, creating a more sustainable financial management culture within the villages.

Financial Attitude:75.02% The high rate of financial attitude demonstrates that the majority of individuals have a positive or proactive stance towards managing their finances. This positive attitude is a valuable asset and indicates willingness to adopt good financial practices. But, despite this favorable attitude, the lack of financial knowledge and inadequate behavior points to a disconnect between attitude and actual financial practices. Bridging this gap requires translating positive attitudes into actionable knowledge and behaviours.

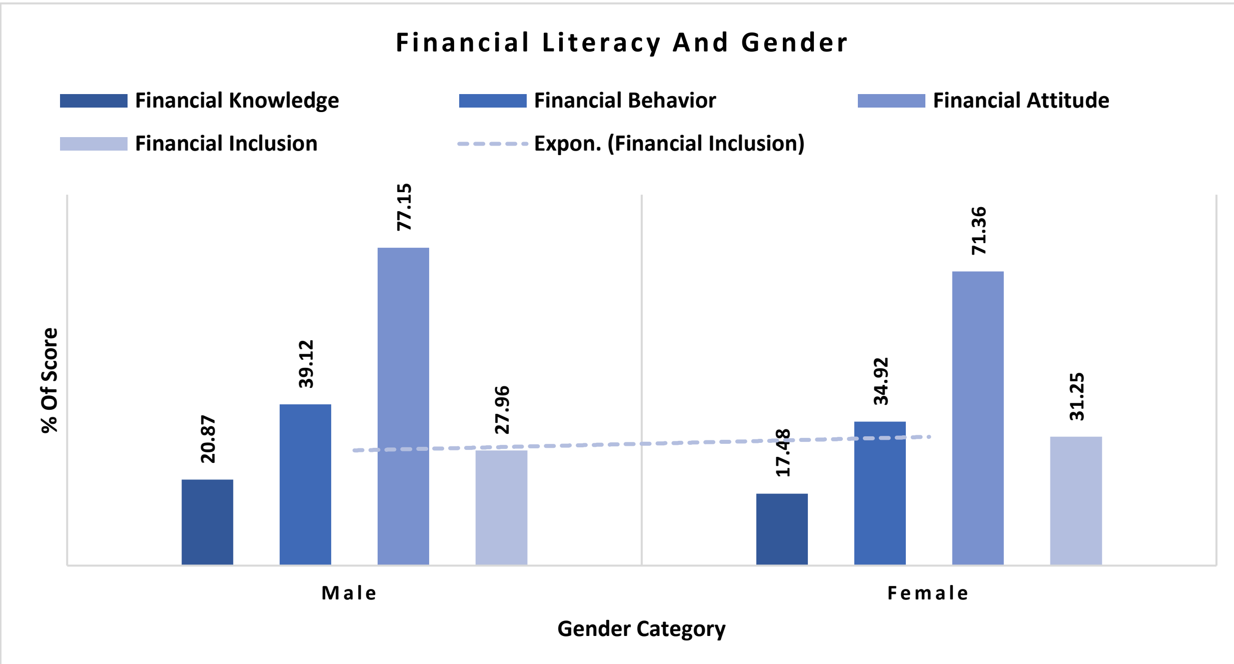
Financial Inclusion: 29.18%, The low financial inclusion rate reveals that a significant portion of the population is not fully integrated into the formal financial system. This lack of access to financial services such as bank accounts, credit, and insurance limits individuals' ability to effectively manage and grow their financial resources. Financial exclusion can also exacerbate the challenges faced due to low financial knowledge and behaviour, creating a cycle of financial instability.

The data highlights a systemic issue where low financial knowledge hampers effective financial behaviour and inclusion. Although individuals may possess a positive financial attitude, the absence of adequate knowledge and access to financial services undermines their ability to implement sound financial practices. The low rates of financial inclusion further exacerbate these issues, as the lack of access to formal financial services restricts opportunities for better financial management.



B) Financial Literacy and Gender: Gender-Based Financial Dynamics in Rural Communities. The examination of financial knowledge, behaviour, attitude, and inclusion among rural males and females uncovers intriguing patterns that reflect broader socio-economic dynamics in these communities. These insights are crucial for developing targeted strategies to enhance financial well-being and equity in rural areas.

Financial Knowledge: In rural areas, males exhibit a marginally higher level of financial knowledge at 20.87% compared to females at 17.48%. This difference, though seemingly small, is indicative of broader disparities in access to financial education and resources. In rural settings, where access to formal financial literacy programs may be limited, men’s relatively higher financial knowledge might stem from traditional roles or community norms that afford them more opportunities to engage with financial matters. This gap suggests that women may face additional barriers to accessing financial information, highlighting the need for inclusive educational initiatives that reach both genders equally.



Financial Behavior: When it comes to financial behaviour, males score 39.12%, while females score 34.92%. This discrepancy suggests that men in rural communities are more likely to actively manage their finances, including budgeting, saving, and investing. The lower score for women could be attributed to limited exposure to financial practices or fewer opportunities to engage in proactive financial management due to traditional gender roles. This difference points to an urgent need for community-based financial workshops and training to both men and women, emphasizing practical skills and confidence-building.

Financial Attitude: The analysis reveals that males have a more favourable financial attitude with a score of 77.15% compared to females at 71.36%. This higher score among men indicates a generally more optimistic or confident approach to financial matters. In rural settings, where economic instability and limited access to resources can affect financial attitudes, men’s higher score could reflect greater engagement with financial decision-making processes. On the other hand, women’s lower score might reveal underlying challenges, such as lower financial autonomy or less involvement in financial planning, necessitating initiatives to foster a more positive financial outlook for both genders.

Financial Inclusion: Interestingly, rural females score slightly higher on financial inclusion at 31.25% compared to males at 27.96%. This suggests that women may have better access to formal financial services in these communities, potentially due to targeted outreach of government programs or microfinance initiatives aimed at improving women's financial participation. Nevertheless, the overall level of financial inclusion remains low, highlighting the need for continued efforts to enhance access to financial services for all rural residents. Initiatives that bridge this gap and promote inclusive financial practices are essential for fostering economic resilience in these communities.

C) Financial Literacy and Education:

The data on financial literacy across different educational levels in rural communities highlights a nuanced relationship between education and financial understanding. As educational attainment increases, so does financial knowledge and behaviour, but the impact on financial attitude and inclusion varies.

Primary Education (1st-4th Grade): For individuals with education levels up to 4th grade, the average financial knowledge stands at 20.55%, with financial behaviour at 35.45%. Their financial attitude is moderately positive at 71.45%, and financial inclusion is relatively low at 28.33%. The foundational education provided at this level often lacks comprehensive financial education, resulting in limited financial knowledge and behaviour. Despite having a relatively positive financial attitude, the low level of financial inclusion reflects significant gaps in practical financial engagement and access.

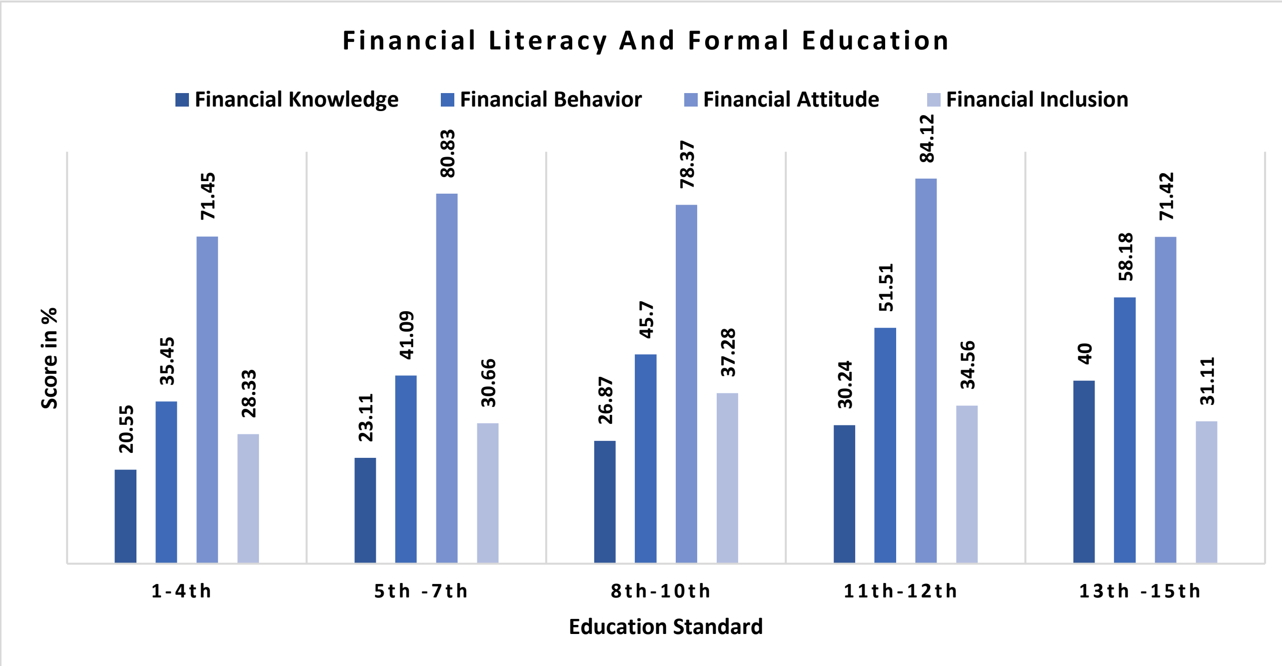
Secondary Education (5th-7th Grade): As individuals progress to 5th to 7th grades, there is a noticeable improvement in financial literacy. Financial knowledge increases to 23.11%, and financial behavior rises to 41.09%. Their financial attitude improves to 80.83%, and financial inclusion increases to 30.66%. This progression suggests that additional years of schooling contribute to better financial understanding and behavior. Though, the rise in financial attitude and behavior is still not fully reflected in financial inclusion, indicating that while knowledge and attitude are improving, practical access and engagement remain limited.

Higher Secondary Education (8th-10th Grade): For those with education levels up to 10th grade, financial knowledge reaches 26.87%, and financial behaviour advances to 45.7%. The financial attitude remains high at 78.37%, with an increase in financial inclusion to 37.28%. This level of education provides more comprehensive exposure to financial concepts, leading to better financial practices and a more positive attitude towards financial management. Despite these improvements, the gap in financial inclusion suggests that higher education still does not fully translate into broader financial access.

Ten plus two (11th-12th Grade): At the 10+2 level, financial knowledge rises to 30.24%, and financial behavior improves to 51.51%. The financial attitude reaches 84.12%, and financial inclusion increases to 34.56%. This significant advancement in financial literacy indicates that more detailed and advanced education equips individuals with better financial understanding and practices. The improved attitude reflects increased confidence and engagement with financial matters, though financial inclusion still lags behind, suggesting that while education enhances financial capabilities, practical access remains a challenge.

Graduation Level (13th-15th Grade): Individuals with education beyond 12th grade show the highest levels of financial literacy, with knowledge at 40%, financial behavior at 58.18%, and a slightly lower financial attitude of 71.42%. Financial inclusion at this level is 31.11%. This indicates that advanced education substantially improves financial knowledge and behavior. But, the somewhat lower financial attitude and inclusion suggest that even with higher education, there are barriers to fully integrating financial practices into daily life.

The data clearly demonstrates that higher educational attainment is strongly correlated with improved financial knowledge and behavior. But, despite advances in education, there remain persistent gaps in



financial inclusion, suggesting that educational improvements alone are insufficient to address all barriers to financial access. Efforts to enhance financial literacy must be complemented by initiatives to improve practical access to financial services, ensuring that the benefits of education translate into real-world financial stability and inclusion for all members of rural communities.

D) Financial Literacy and Age:

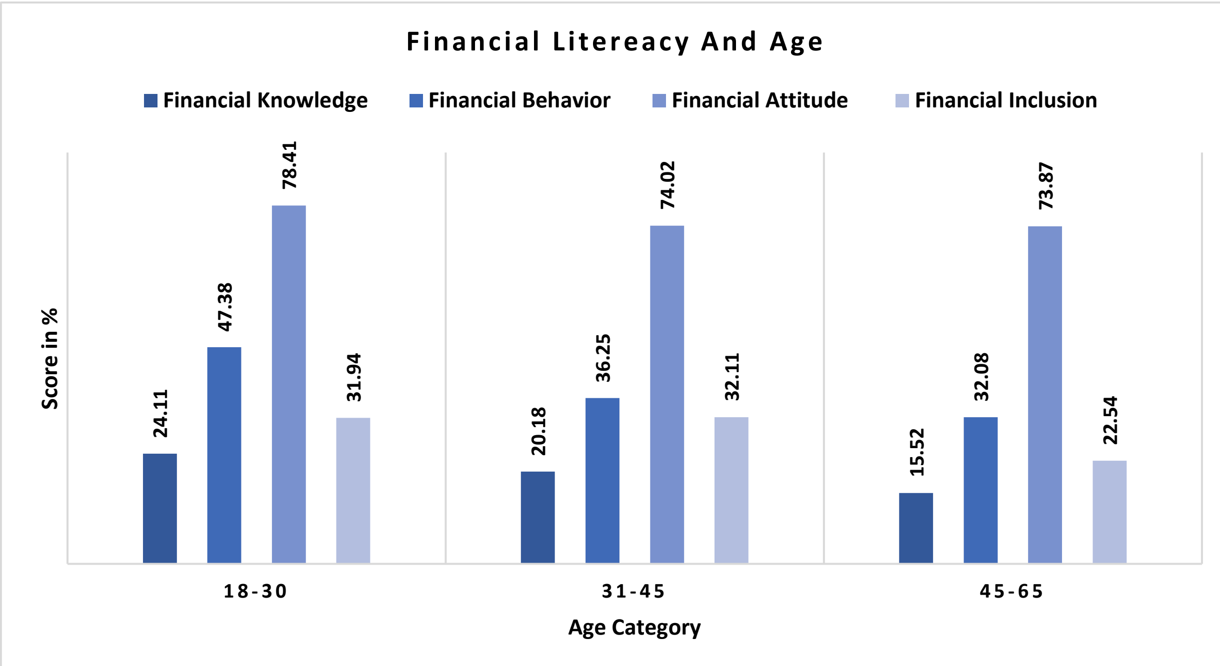
Examining financial literacy across different age groups in rural communities provides a nuanced understanding of how financial knowledge, behavior, attitude, and inclusion vary with age. Here's a detailed analysis based on the given data

Financial Knowledge: There is a positive correlation between financial knowledge and financial behavior across all age groups. As financial knowledge increases, financial behavior improves, albeit not proportionally. This correlation highlights the importance of financial education in improving practical financial management skills. Young adults (24.11) have a relatively higher financial knowledge score compared to middle-aged (20.18) and older adults (15.52). This could be attributed to better access to information and education in recent years. Though, a significant gap still exists, indicating that even younger generations need more financial education.

Financial Behavior: The financial behavior score decreases with age, with young adults scoring 47.38, middle-aged adults 36.25, and older adults 32.08. This decline suggests that while younger individuals may be more aware of financial principles, they may lack the practical experience and discipline to apply them consistently. This highlights the need for practical financial management training across all age groups.

Financial Attitude: Despite varying levels of knowledge and behavior, financial attitude scores are relatively high across all age groups (young adults 78.41, middle-aged adults 74.02, older adults 73.87). This indicates a generally positive outlook towards financial planning and investment. But, the high attitude scores contrast sharply with the lower behavior scores, suggesting a disconnect between intention and action.

Financial Inclusion: Despite high financial attitude scores, financial inclusion remains low, especially among older adults. This indicates that while residents may have a positive outlook towards financial planning, structural barriers prevent them from fully participating in the financial system. Addressing these barriers is crucial for improving overall financial inclusion**.** Financial inclusion is highest among middle-



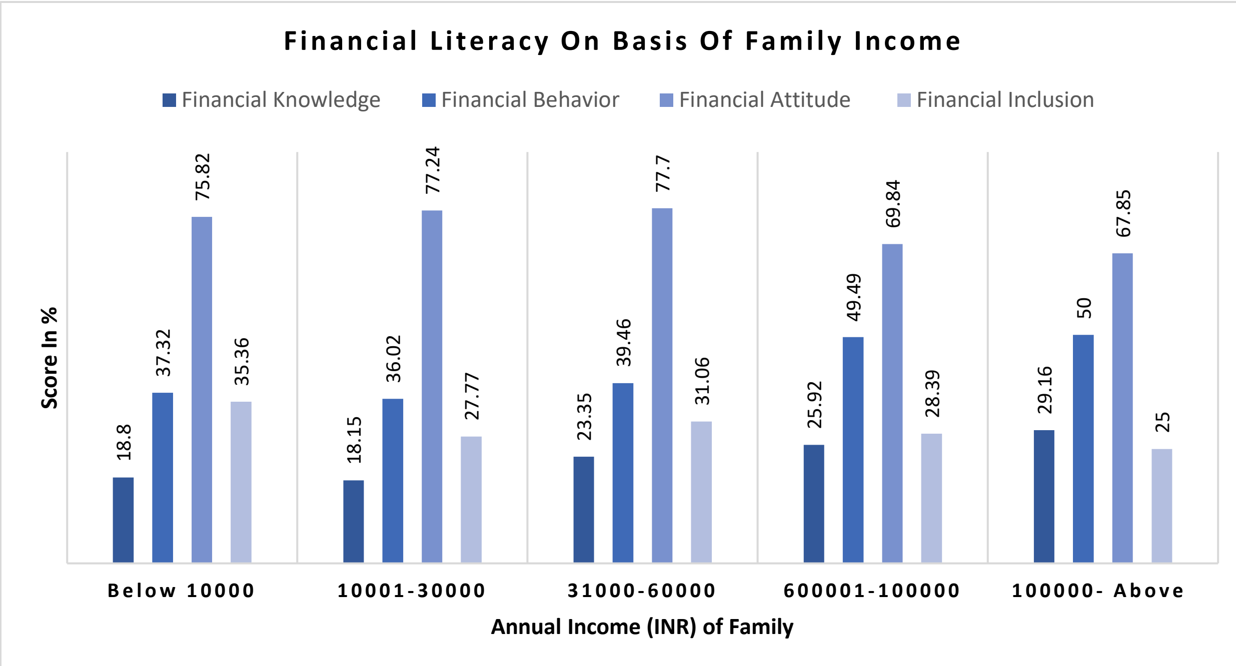
aged adults (32.11) and lowest among older adults (22.54). This trend may be due to middle-aged adults actively seeking financial services for family and business needs. Still, the lower inclusion rate among older adults points to significant barriers, such as lack of access, awareness, and trust in financial institutions.

The analysis reveals critical deficiencies in financial literacy and inclusion across all age groups in rural communities. While younger adults show promise, middle-aged and older adults face significant challenges. Economic constraints and structural barriers further exacerbate these issues. Addressing these gaps requires a complex approach, including targeted financial education, improved access to financial services, and systemic changes to support financial inclusion

E) Financial Literacy and Income

The financial literacy data across different income brackets in rural communities unveils some fascinating and concerning trends in financial priorities and behaviours:

Below INR 10,000: Households in this lowest income bracket are primarily focused on meeting their basic



needs. With financial knowledge at 18.8% and a behaviour score of 37.32%, these residents show a commendable financial attitude of 75.82%. But, their high financial inclusion score of 35.36% suggests that despite limited resources, they strive to utilize available financial services as much as possible. Their focus is squarely on survival, leaving little room for saving or investing.

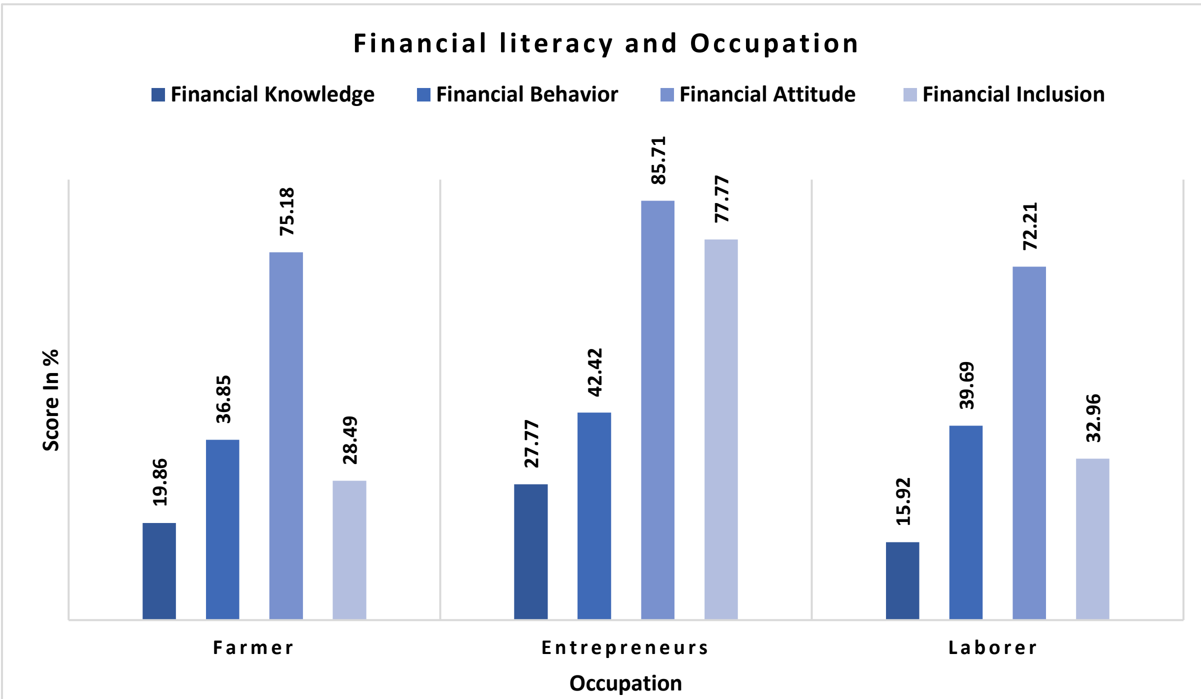
INR 10,001-30,000: In this bracket, financial knowledge is slightly lower at 18.15%, with a behaviour score of 36.02%. Their financial attitude remains high at 77.24%, indicating a continued effort to manage finances effectively. But, with a financial inclusion score of 27.77%, many still face challenges accessing comprehensive financial services, focusing more on immediate financial concerns rather than long-term planning.

INR 31,000-60,000: With increasing income, financial knowledge improves to 23.35%, and behavior rises to 39.46%. Their financial attitude remains high at 77.7%, but the inclusion score of 31.06% shows that while they have better access to financial services, long-term investment planning is still not a priority. The ability to think beyond immediate needs is present, but still overshadowed by short-term financial management.

INR 60,001-100,000: This income group exhibits higher financial knowledge at 25.92% and behavior at 49.49%. But, their financial attitude drops to 69.84%. This suggests that with more disposable income, there is a tendency towards unnecessary expenses rather than focusing on investments. The financial inclusion score of 28.39% reflects ongoing challenges in fully integrating into the financial system despite improved financial behavior. Here, the focus begins to shift to lifestyle improvements, sometimes at the expense of future financial security.

Above INR 100,000 : The highest income bracket shows the greatest financial knowledge at 29.16% and behavior at 50%. But, the financial attitude further declines to 67.85%, indicating a shift towards spending on non-essential items rather than investments. The financial inclusion score of 25% suggests that even with higher income, many residents do not fully capitalize on financial services for wealth accumulation, often prioritizing immediate gratification over long-term financial security. The tendency to spend on luxuries becomes more prominent, highlighting a significant gap in investment behaviour.

F) Financial Literacy and Occupation: The analysis of financial literacy across various occupations reveals significant disparities that impact individuals' overall financial competence and inclusion. Farmers, a critical segment of the rural workforce, score poorly across the board. Their financial knowledge averages just 19.86, with a financial behaviour score of 36.85, and a financial inclusion rate of 28.49. This low level of financial literacy highlights a critical gap in their ability to manage finances effectively and access



necessary financial services. The lack of comprehensive financial education for farmers suggests a need for targeted interventions that can bridge this gap and enhance their financial stability. In contrast, entrepreneurs show a markedly better grasp of financial matters. With a financial knowledge score of 27.77 and a behavior score of 42.42, coupled with an impressive financial attitude score of 85.71 and a high financial inclusion rate of 77.77, entrepreneurs demonstrate a superior ability to navigate financial challenges. This higher level of financial engagement is indicative of how entrepreneurship can foster advanced financial skills and better resource management. Yet, the overall financial literacy scores, including a high score of 77.77 in financial inclusion, highlight that even among successful entrepreneurs, there is room for improvement in fully leveraging financial opportunities. Labourers, on the other hand, exhibit moderate financial literacy with an average knowledge score of 15.92 and a behavior score of 39.69. Their financial inclusion rate stands at 32.96, indicating somewhat better access to financial services compared to farmers but still falling short of the standards seen in entrepreneurship. The overall financial literacy scores for labourers, while better than farmers, underscore the ongoing challenges in financial education and access. This comparative analysis underscores the need for tailored financial literacy programs that address the specific needs of each occupation, aiming to uplift overall financial competence and inclusion across diverse job roles.

Conclusion and Recommendation

Conclusion: The findings reveal pronounced disparities in financial literacy across different income levels, educational backgrounds, age groups, and occupations. While higher income and education levels tend to correlate with improved financial literacy, this does not consistently translate into more effective financial behaviour or investment practices. The lower financial literacy scores observed among farmers and labourers, coupled with the varied impacts of income and age, underscore the urgent need for targeted financial education initiatives. To enhance financial inclusion and build more resilient rural communities, it is crucial to implement comprehensive financial literacy programs to the specific needs of various demographic and occupational groups.

1. **Educational Attainment and Financial Literacy:** A strong correlation exists between educational attainment and financial literacy. Individuals with only basic education (1st to 4th grade) have an average financial literacy score of 38.95, while those with higher education levels (11th to 15th grade) score between 50.11 and 50.18. This significant improvement underscores the critical need to incorporate financial education into school curriculums from an early age, ensuring that future generations are equipped with essential money management skills.

2. **Income Disparities in Financial Literacy:** Financial literacy is significantly influenced by income levels. Individuals earning less than 10,000 INR per month have an average financial literacy score of 41.83, reflecting a focus on basic survival needs, with limited capacity for financial planning or investment. As incomes rise, financial literacy scores also improve, peaking at 43.41 for those earning between 60,000-100,000 INR. But, this marginal increase does not correspond with a substantial improvement in financial behaviours, as that earnings above 100,000 INR show a slight decline in scores to 43.00. This indicates that higher income does not necessarily lead to better financial planning or investment practices, possibly due to increased unnecessary spending rather than savings or investments.

3. **Age and Financial Literacy Trends:** Financial literacy exhibits a clear age-related pattern. Younger individuals (18-30 years) demonstrate the highest average score of 45.46, reflecting their greater familiarity with financial knowledge access. Conversely, older age groups (31-45 and 45-65 years) exhibit lower scores of 40.64 and 36.00, respectively. This decline highlights the importance of continuous financial education throughout life, enabling individuals to adapt to evolving financial landscapes and maintain effective financial management skills.

4. **Occupational Variations in Financial Literacy:** Significant variations in financial literacy are observed across different occupations. Entrepreneurs exhibit the highest average score of 58.42, indicating their advanced financial knowledge and decision-making capabilities. This elevated score reflects the complex financial decisions required in entrepreneurial roles. In contrast, farmers and laborers have lower average scores of 40.10 and 40.20, respectively, highlighting a critical gap in financial education. This gap necessitates targeted training programs to enhance the financial management and planning skills of these occupational groups.

5. **Gender Disparities in Financial Literacy:** Gender differences in financial literacy reveal that males have a slightly higher average score of 41.27 compared to 38.75 for females. Although this difference is modest, it points to underlying disparities in financial education and opportunities between genders. Addressing these disparities through targeted financial literacy programs for women is essential to bridging the gap and promoting more equitable financial inclusion.

6. **Challenges in Financial Inclusion:** Financial inclusion varies significantly by gender, with females showing higher participation in financial systems (42.22%) compared to males (32.63%). While this suggests that women have better access, there remains a critical need for broader educational efforts to ensure equitable and effective participation in financial systems across all demographic groups.
7. **Functional Numeracy:** Low proficiency in basic arithmetic calculations, particularly in Dahanu block, 20.7% of people highlights a significant gap in foundational numeracy skills, which are essential for sound financial decision-making. This deficiency underscores the need for basic math education programs to support more effective financial management across all age groups and income levels.

Recommendations

1. **Develop Income-Specific Financial Literacy Programs:** Design financial education programs tailored to different income levels. For low-income groups, the focus should be on basic financial management, budgeting, and debt management. For higher-income individuals, advanced training on investments, tax planning, and long-term financial strategies should be prioritized to enhance their financial decision-making capabilities.
2. **Integrate Financial Education into School Curriculums:** Embed comprehensive financial literacy modules into school curriculums starting at the primary level. This approach will help build a strong foundation of financial knowledge and skills, equipping students to manage their finances effectively as they transition into adulthood.
3. **Implement Lifelong Financial Education Programs:**Develop and promote lifelong financial education opportunities tailored to different age groups. These programs should address the evolving financial needs and challenges faced by individuals at different life stages, ensuring they remain informed and capable of managing their finances effectively.
4. **Target Financial Training for Specific Occupations:**Offer targeted financial training programs for farmers, laborers, and other occupational groups with lower financial literacy scores. These programs should address the unique financial challenges faced by these groups, focusing on practical financial management and planning skills that can improve their financial well-being.
5. **Promote Community-Based Budgeting and Financial Goal-Setting Initiatives:**Launch community-based initiatives to educate residents on the importance of budgeting and setting financial goals. Use local media, workshops, and counseling sessions to raise awareness and encourage the adoption of effective financial planning practices within the community.
6. **Address Gender Disparities in Financial Education:**Develop and implement financial literacy programs specifically designed for women, aiming to bridge the gender gap in financial knowledge. These programs should focus on empowering women with the skills and confidence needed to make informed financial decisions, thereby promoting greater financial inclusion and equality.

7. **Enhance Financial Inclusion and Access to Financial Services:**Strengthen efforts to improve financial inclusion by expanding access to financial services and educational resources. Ensure that these services are accessible to all demographic groups, with a particular focus on reaching underserved populations in rural areas.

8. **Improve Basic Numeracy Education Across All Age Groups:** Address the critical gap in numeracy skills by implementing educational programs focused on improving basic arithmetic abilities. These programs should be accessible to individuals across all age groups and income levels, providing the foundational skills necessary for effective financial management and decision-making.