Financial Literacy: Farmers Perspectives

Abstract:
Financial literacy is literacy about finance. If anyone has knowledge or skill to manage finance, a person is financially literate. The researcher defined financial literacy in Indian farmer’s perspectives using conceptual research method. Financial literacy consists of two distinct words ‘Finance’ and ‘literacy’, both with a distinct historical defining background. Farmers are financially literate in his field of agriculture or not, for such a decision required a conceptual understanding of financial literacy and farmers agricultural activities. Financial literacy is level awareness about the basics of money management (cash inflow and outflow) and controlling while agriculture consists of various agricultural activities. With the use of conceptual model financial literacy from farmer’s perspectives is defined and that can be useful for study financial literacy among farmers.

Keywords: finance, literacy, financial literacy, agriculture.

Introduction
In layman’s language financial literacy means literacy about finance. If anyone has knowledge or skill to manage finance, we say a person is financially literate. Different authors/organizations define financial literacy in different words. In this article, we define financial literacy in farmer’s perspectives using conceptual research. Conceptual research is related to some abstract idea(s) or theory. It is for the development of new concepts or to reinterpret the existing one. In farmer’s financial literacy, it consists of distinct words Farmer, Finance and literacy. Conceptual understanding of above words and its combination helps author to interpret farmer’s financial literacy. Researcher first discuss conceptual understanding of literacy, finance and financial literacy then frame conceptual definition of financial literacy from Indian farmer’s perspectives.

Literacy
The United Nations Educational, Scientific and Cultural Organization (UNESCO) defines that literacy as the ability to identify, understand, interpret, create, communicate and compute, using printed and written materials associated with varying contexts. Literacy involves a variety of learning in enabling individuals to achieve their goals, to develop their knowledge and potential, and to participate fully in their community and wider society (UNESCO, 2006). UNESCO definition defines literacy in detail, the first part of the definition includes various parameters (variables) to understand literacy like – identify, understand, interpret, create, communicate and compute. The second part represents literacy is a variety learning process for goal achievement, knowledge and potential development and last part include that literacy helps individual to full participation in their community and society. Literacy not only about competency in reading and writing skills, but goes beyond this to include the critical and effective use of the above-mentioned variables in peoples’ lives, and the use of language (oral and written) for all purposes. This definition involves critical thinking about what one reads, as well as expanding the term to encompass oral forms of literacy. Osama Manzar writes in his article of change literacy’s definition (Manzar, 2011), Illiteracy is defined as an inability to communicate in writing or through reading. But that is because before the advent of digital communication as a medium we had to rely on written communication through papers, books, pens, pencils, ink, and printing. Now we can easily communicate orally using digital tools such as cell-phones, multimedia, the Internet, etc. on the other hand Manthan award winner, Eko, provides means of opening bank accounts and does financial transactions through mobiles. This is meant to target those who are illiterate, unbanked and have mobile phones. Illiterate people use devices such as mobiles, telephones, remotes, etc., without going through any formal literacy
class. Need has driven them to learn the basics of literacy through acquaintance with modern tools. Hence literacy definition is change according to environmental, technological and economical condition of a person as well as country.

**Finance:**
Modern English word finance came from the Latin word Financius, from the noun finis means ‘end’. It migrated from Latin to old French as Finaunce, from finer means to pay a ransom (payment), whence also English fine means to pay a penalty (Marcel, 2016). Hence the notion is of ending something due. The French senses gradually were brought in to the English language: “ransom” in the mid 15th century, “taxation” in the late 15th century; the sense of management of money, a science of monetary business is first recorded in English 1770 (Etymonline). In other definition, finance is a field that deals with the study of investments. The investment includes the combination of assets and liabilities over time under conditions of different degrees of uncertainty and risk. And the obtaining of funds or capital is financing (Webster, 2018). According to Cambridge Advanced Learner’s Dictionary “The management of a supply of money / to provide the money needed for something to happen is financing (Cambridge). Hence finance relates to the management of money, money is in the form of assets or liability or debt or investment or else. When a person manages the money we say it doing a financial activity. According to food and agriculture organization of the United Nations, 70 percent of Indian rural households still depend primarily on agriculture for their livelihood, with 82 percent of farmers being small and marginal. In 2017-18, total food grain production was estimated at 275 million tones (Nations, 2019). It’s a big amount in finance. In agriculture, farmer is in origin; hence his understanding of finance is importance for betterment of health of economy of India.

**Financial Literacy:**
Literacy and finance both words have distinct meanings and understanding. When a conjunction of means literacy about finance. Zucchi defines “financial literacy is the confluence of financial, credit and debt management and the knowledge that is necessary to make financially responsible decisions – decisions that are integral to our everyday lives”. Financial literacy includes understanding how a checking account works, what using a credit card means, and how to avoid debt. In sum, financial literacy impacts the daily issues an average family makes when trying to balance a budget, buy a home, fund the children’s education and ensure an income at retirement (Zucchi, 2018). In other simple words, financial literacy is the possession of the set of skills and knowledge that allows an individual to make informed and effective decisions with all of their financial resources (Wikipedia, 2018). Financial literacy gives a psychological view of managing financial resources or cash flow (cash inflow or cash outflow). The National Financial Educators Council defines financial literacy as: “Possessing the skills and knowledge on financial matters to confidently take effective action that best fulfills an individual's personal, family and global community goals” (NFEC). A financial literate farmer has possess the skill and knowledge on the financial matter to manage financial resources that fulfill personal, family and agricultural goals.
The research defines a lack of basic level of understanding and ability to deal with money in one’s life at a functional level. One need not be an accountant to understand the basics of interest, for example, and how it can help or hinder when it comes to savings or debt. Even the most basic financial concepts are rarely taught in schools here, so research would caution against assuming that someone knows little about money because they are incapable of understanding. A researcher would also be very careful not to equate poverty with financial illiteracy. Not having access to money and not being cautious or educated about money are two separate things. Indeed, it can be extremely costly (not to mention draining on metal energy) to have limited money. Some people living in poverty are also very resourceful and very frugal, to make every dollar count. (Betsy Megas, 2018). Financial literacy, to me, is “having a basic, functional understanding of money and how to manage it.”

The President’s Advisory Council defines Financial Literacy as “The ability to understand the basic principles of business and finance” (NFEC). As per the Economic Survey 2017-18, which was released in Parliament on Monday ahead of the Union Budget 2018 had key implications for the agriculture sector
which employs more than 50 percent of the total workforce in India and contributes around 17-18 percent to the country’s GDP (Express, 2018). Agriculture is an important industry and like all other industries, it also requires capital. Capital requirement depends on agricultural activities, in agricultural practices activities are starting from preparation of soil, sowing, adding manure and fertilizer, irrigation, protecting from weeds, harvesting, and storage. Each activity requires small or large amount of capital for short or long term time period. Farmers capital requirement of farming is fulfilled by own capital or credit from bank, co-operative society and other unorganized source. In every agricultural activity various financial decision are taken by farmer like credit period, interest rate, choosing appropriate source of capital, amount of capital, investment on agricultural machinery, Agri-labour payment. Farmer aware about various government programs that helps in various economical grounds. Farmers centric government schemes that helps farmers like subsidies on seeds, fertilizer, crop storage, drip irrigation, agricultural machinery, Minimum support price (MSP) of crops, agricultural insurance (Pradhan mantri Fasal Bima yojna - PMFBY), Farmer pension scheme ( Pradhan Mantri Kisan Maan-Dhan Yojana). Hence farmer’s financial literacy means, the farmer can understand the basic principles of agricultural business and finance. As per The Cambridge Business English Dictionary defines as “The combination of knowledge, skills, attitudes and ultimately behaviors that translate into sound financial decisions and appropriate use of financial services”(NFEC).

Conclusion:
Research encompasses the knowledge and skills for agricultural financial planning, the selection of financial services, budgeting and investing, developing an insurance program, credit management, rights and responsibilities, and decision-making skills for all aspects of agriculture that relates to farm management as consumers, labour and businessman. From Farmers perspectives financial literacy is about the ability of farmer to understand basic principles of agriculture business and its financial management like, Farmer has to aware about the time value of money, cash flows, purchase, credit management, inventory management, debt management, market awareness, etc. in simple word researcher can define financial literacy from farmers perspective as “the ability of farmer to understand basic principles of agriculture and finance”. This definition includes the ability of farmers, take agriculture as a business and aware of financial management activity, starting purchasing of seeds, fertilizer to end with the selling of finished product or crop.

Bibliography


https://www.financialeducatorscouncil.org/financial-literacy-definition/


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