

IMPACT OF LOAN TAKING BEHAVIOUR ON FINANCIAL LITERACY AMONG SELF HELP GROUP WOMEN MEMBERS

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ABSTRACT - Micro credit projects are a fundamental source of providing financial assistance to SHG's beneficiaries. Lending to women has become an important principle in micro credit to empower the women. Financial literacy should make SHG members to take Financial Literacy is the potential to take hold of, monitor and effectively use economic belongings to develop the health and monetary defense of oneself, and trade and also for improving the understanding of the financial service providers. The purpose of this article to find out the impact of loan taking behaviour on financial literacy among the self help group women members in Virudhunagar District of Tamil Nadu. The data were collected from 400 SHG women members randomly from 11 Blocks of Virudhunagar District using Financial Literacy Scale Questionnaire which were developed and standardized by the investigator. The data were analyzed using f-test in order to find out the results and conclusions. Finally the study reveals that Loan taking behaviour plays a very significant and vital role on financial literacy of the self help group women members in Virudhunagar District.

Keywords: *Financial Literacy; loan taking behavior; Self Help Group, Financial Knowledge.*

1. INTRODUCTION

Financial literacy stays an intriguing hindrance in each developed and developing economies, and has elicited a lot interest in the up to date past with the rapid change within the finance landscape. OECD (2005), defines Fiscal literacy as the blend of consumers'/traders' understanding of fiscal merchandise and ideas and their capacity and confidence to admire fiscal risks and possibilities, to make instructed alternatives, to understand the place to move for support, and to take different potent actions to reinforce their fiscal well-being.

(Miller et al., 2009). Financial literacy helps in empowering and instructing consumers so that they're informed about finance in a way that is critical to their lives and allows for them to make use of this knowledge to assess products and make instructed decisions. It is generally anticipated that larger monetary knowledge would aid overcome contemporary difficulties in advanced credit score markets.

Financial literacy enables the decision making strategies corresponding to payment of expenses on time, correct debt management which reinforce the credit worthiness of skills borrowers to help livelihoods, economic progress, sound economic systems, and poverty reduction. It additionally provides better management of one's fiscal future, more robust use of economic merchandise and services, and reduced vulnerability to overzealous outlets or fraudulent schemes. This is since financially literate consumers create aggressive pressures on economic associations to offer extra safely priced and transparent services, by means of evaluating choices, asking the correct questions, and negotiating effectively. Consumers are ready to examine and review financial merchandise, harking back to financial institution money owed, saving merchandise, credit ranking and mortgage choices, cost instruments, investments, protection protection, so that they could make most beneficial alternatives.

Green Span (2002), argues that financial literacy helps to inculcate participants with the financial skills integral to create loved ones budgets, provoke financial savings plans, and make strategic investment selections. (Hilgert, Hogarth, & Beverly, 2003) found that financial expertise seems to be

instantly correlated with self-beneficial financial behavior. Nevertheless, Skeptics (Lyons, Palmer, Jayaratne, & Scherpf, 2006) query the effectiveness of financial education in bettering monetary literacy. Van Rooij, Lusardi, and Alessie, (2007) in a study of Dutch adults, asserts that households with low levels of financial literacy are more probably than others to base their conduct on financial recommendation from friends and are less likely to put money into shares.

Mounting proof indicates that those who find themselves less financially literate are prone to face extra challenges with reference to debt administration, savings and credit, and are much less likely to plan for the future. Regulators of financial offerings, have a responsibility to support purchasers of fiscal offerings in making advised fiscal decisions in an effort to promote consumer safety, public recognition, and protection of market confidence. Alternatively, information asymmetry between financial service providers (FSPs) and potential customers results in weakened financial markets. Fiscal literacy no longer handiest advantages consumers but also FSPs. Financially literate patrons pose less threat to the financial approach as a result of their responsible use of financial support which support to underpin financial market, and make contributions to accelerated financial savings, wider financial development and progress. Hence in the present investigation, the investigator intends to carry out research to find whether financial literacy influence on economic empowerment among self help group women members.

2. REVIEW OF LITERATURE

The purpose of this literature review is to identifying, evaluating, and interpreting the existing body of work on the financial literacy of different population such as college students, young adults, women, consumers and gender differences in various countries. Sabri et.al. (2012) found that factors such as childhood experience, financial socialization, and financial literacy predict financial well-being [11]. Xiao (2008) indicated that common financial management practices relating to cash, credit, and savings management [14]. Lusardi & Tufano, (2009) found that people with low financial literacy are more likely to have problems with debt [9]. Hibbert & Beutler, (2001) reported that families who were poor management of their finances experienced more unkindness, less communication, and a lower quality of life. It leads to common source of conflict in personal, marital and family relationship [4]. Hilgert et.al., (2003) found that financial knowledge can be statistically linked to financial practices related to credit as well as the cash-flow management, saving, and investing behaviors [5]. Lusardi et.al.,(2010) found that financial literacy is strongly related to socio-demographic characteristics and family financial sophistication [1]. Sonia & Abraham, (2006) pointed out that financial problems are often the basis for divorce, mental illness, such as isolation, emotional stress, depression and lower self-esteem, and a variety of other unhappy experiences [10]. Eikmeier B. J, (2007) indicate that financial education can lead to financial knowledge and positive changes in attitudes, motivation and planned behavior [2]. Hung.A, et.al., (2012) examined that women have less financially literate than men [6].

Sharmina Afrin et. al., (2008) found that the significant relationship between the financial management skills and women borrowers for their entrepreneurship development [13]. Joo (2008) found that financial behavior is the main determinant of financial well being, and it is influenced by four major factor namely financial attitude, financial socialization, financial socialization agents and financial knowledge [7]. Huston (2010) pointed out that financial literacy assessment instrument

consist of four broad area of personal finance like basic concepts, borrowing concepts, saving/investing concepts and protection concepts [12]. Sabri et.al., (2008) reported that financial problems arises due to lack in financial management knowledge. Lusardi.A, (2007) found that households are unfamiliar with basic economic concepts needed to make saving and investment decisions [8].

The literature is rich in studies on financial literacy in relation to financial inclusion and inclusive democracy and there are also studies on financial literacy and economic empowerment of women in general, there are studies which have mainly focused on financial literacy to financial services, women empowerment, micro finance services, attitude of men towards women SHG's , role of women SHG's in women empowerment, for quality life in rural areas, micro entrepreneurs, socio economic empowerment of women, self-economic empowerment of women, attitudinal changes of women after training, economic empowerment of women through SHG's, SHG's, - for success and improving the social status of women are reviewed. For example, just a few studies have been finished round this topic despite its significance. Ongesa et al (2014) evaluates the effect of financial literacy on loan repayment through small and medium marketers in Ngara and determined that financial literacy training improves loan reimbursement most of the small and medium commercial enterprise proprietors. Njeru et.al. (2015) found out that the factors like book keeping, credit management and budgeting skills are influencing more on loan repayment [3]. In fact, the present study is totally a new dimension of SHGs to discuss about the impact of loan taking behaviour on financial literacy which has remained as an unexplored area of the study in India.

3. RESEARCH GAP

The reviewed literatures have given emphasis to financial literacy and empowerment of women with the support of Self Help Groups. The researcher's foremost reason on this study become to fill this extensive hole through providing systematic evaluation of the impact of loan taking behaviour on financial literacy 'No look at up to now has been carried out at the position of impact of loan taking behaviour on financial literacy among the self help group women members. This is the gap the researcher intended to fill.

4. OBJECTIVES OF STUDY

- To find out the impact of loan taking behaviour on financial literacy among the self help group women members in Virudhunagar District of Tamil Nadu.

5. HYPOTHESIS OF THE STUDY

- There will be significant mean score difference in Financial Literacy and its factors between the groups based on **Number of times Loan Taken** among the selected Self Help Group women members.

6. RESEARCH DESIGN

Considering the objective and hypothesis of the study the investigator adopted the normative survey research method. The investigator selected Self Help Group (SHG) women members in

Virudhunagar District, Tamil Nadu, and India as population. Virudhunagar is one of the southern districts of Tamil Nadu. According to the Census 2011, the total population of the district is 19,43,309 out of which 9,67,437 are male and 9,75,872 are female. There are 11 Blocks in Virudhunagar District. 400 women members of SHGs were selected randomly from all over the district.

7. TOOLS USED IN THE STUDY

The investigator must be careful for selecting the appropriate tools for data collection. In this present study, the investigator used the following tools which are developed and standardized by the investigator:

- Financial Literacy Scale

The data were collected from the selected samples using the tools.

8. RESULTS AND ANALYSIS

Table – 1: Number, Mean and Standard Deviation in Financial Literacy and its factors between the groups based on **Number of times Loan Taken** among the selected Self Help Group women members.

Factors in Financial Literacy	Categories in Number of times Loan Taken	N	Mean	SD
Financial knowledge	Not Taken	113	37.35	8.02
	1- 5 times	159	36.26	9.26
	6 - 10 times	128	41.09	4.05
Saving skill	Not Taken	113	57.45	10.88
	1- 5 times	159	58.80	8.84
	6 - 10 times	128	62.31	6.18
Borrowing skill	Not Taken	113	36.54	6.17
	1- 5 times	159	37.92	5.84
	6 - 10 times	128	39.20	5.56
Investment skill	Not Taken	113	37.16	6.18
	1- 5 times	159	36.64	7.88
	6 - 10 times	128	40.17	4.68
Financial literacy (Total)	Not Taken	113	168.50	29.05
	1- 5 times	159	169.62	26.26
	6 - 10 times	128	182.77	17.31

Table; 1 shows Number, Mean and Standard Deviation in Financial Literacy and its factors between the groups based on Number of times Loan Taken among the selected Self Help Group women members. According to the table, the group 1 – 5 time has high frequency (159) followed by 6 – 10

time (128) and Not taken (113). Further, the group 6 – 10 time loan taken shows greater mean score than other two groups in all the selected factors as well as in total score of financial literacy. The following Anova table shows the mean score difference of the same.

Table – 2: Mean score difference in Financial Literacy and its factors between the groups based on **Number of times Loan Taken** among the selected Self Help Group women members.

Factors in Financial Literacy	Groups	Sum Squares	ofdf	Mean Square	F	Sig.
Financial knowledge	Between	1739.909	2	869.954	15.125	.000*
	Within	22834.801	397	57.518		
Saving skill	Between	1564.235	2	782.118	10.195	.000*
	Within	30455.042	397	76.713		
Borrowing skill	Between	423.312	2	211.656	6.188	.002*
	Within	13580.125	397	34.207		
Investment skill	Between	974.360	2	487.180	11.463	.000*
	Within	16871.918	397	42.499		
Financial literacy (Total)	Between	16199.362	2	8099.681	13.312	.000*
	Within	241554.575	397	608.450		

* **Significant at 0.01 level**

Table 2 reveals the mean score difference in Financial Literacy and its factors between the groups based on Number of times Loan Taken among the selected Self Help Group women members. According to the table, the calculated f-value is statistically significant at 0.01 level in all the selected factors as well as in total score of financial literacy and hence the hypothesis – 5 is accepted. Further, it can be said that the variable Number of times Loan Taken does influence the financial literacy of the Self Help Group women members. The following table shows the mean difference between the groups.

Table 3 reveals Scheffe's Post Hoc analysis of Multiple Comparisons in Financial Literacy and its factors between the groups based on Number of times Loan Taken among the selected Self Help Group women members. According to the table, there is no mean difference between Not taken and 1 – 5 time loan taken whereas there is mean difference between Not taken and 6 – 10 time loan taken in all the factors including financial literacy as total. There is a mean difference between 6 – 10 and 1 – 5 times loan taken in all the factors including total and vice-versa. Similarly, there is a mean difference between 6 – 10 time taken and Not taken. All these mean differences were found statistically significant at 0.05 level.

Table – 3: Scheffe’s Post Hoc analysis of Multiple Comparisons in Financial Literacy and its factors between the groups based on **Number of times Loan Taken** among the selected Self Help Group women members.

Factors in Financial Literacy	(I) No of time Loan taken	(J) No of time Loan taken	Mean Difference (I-J)	Std. Error	Sig.
Financial knowledge	Not Taken	1- 5 times	1.09	.93	.506
		6 - 10 times	-3.73	.98	.001*
	1- 5 times	Not Taken	-1.09	.93	.506
		6 - 10 times	-4.82	.90	.000*
	6 - 10 times	Not Taken	3.73	.98	.001*
		1- 5 times	4.82	.90	.000*
Saving skill	Not Taken	1- 5 times	-1.35	1.08	.458
		6 - 10 times	-4.86	1.13	.000*
	1- 5 times	Not Taken	1.35	1.08	.458
		6 - 10 times	-3.51	1.04	.004*
	6 - 10 times	Not Taken	4.86	1.13	.000*
		1- 5 times	3.51	1.04	.004*
Borrowing skill	Not Taken	1- 5 times	-1.38	.72	.161
		6 - 10 times	-2.66	.75	.002*
	1- 5 times	Not Taken	1.38	.72	.161
		6 - 10 times	-1.28	.69	.186
	6 - 10 times	Not Taken	2.66	.75	.002*
		1- 5 times	1.28	.69	.186
Investment skill	Not Taken	1- 5 times	.52	.80	.812
		6 - 10 times	-3.01	.84	.002*
	1- 5 times	Not Taken	-.52	.80	.812
		6 - 10 times	-3.53	.77	.000*
	6 - 10 times	Not Taken	3.01	.84	.002*
		1- 5 times	3.53	.77	.000*
Financial literacy (Total)	Not Taken	1- 5 times	-1.12	3.04	.934
		6 - 10 times	-14.26	3.18	.000*
	1- 5 times	Not Taken	1.12	3.04	.934
		6 - 10 times	-13.14	2.93	.000*
	6 - 10 times	Not Taken	14.26	3.18	.000*
		1- 5 times	13.14	2.93	.000*

* The mean difference is significant at the 0.05 level.

9. FINDINGS AND CONCLUSION

Based on the results and findings, it is concluded that there is a significant mean score difference in financial literacy and its factors between the group based on number of times loan taken among the selected self help group women members in Virudhunagar District. So, it is confirmed that the loan taking behaviour of the self help group women members playing a vital role on their financial literacy with respect to financial knowledge, saving skill, borrowing skill and investment skill.

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