

A Study on Financial Literacy Awareness in Rural Areas of Tapi District

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ABSTRACT:

This study examines the level of financial literacy awareness among rural people in Tapi district. The research is based on primary data collected from 199 respondents through structured questionnaires covering saving habits, banking awareness, investment knowledge, borrowing behaviour, and financial planning. The findings reveal that while most respondents have basic awareness of banking and saving practices, their knowledge about advanced financial products such as mutual funds, insurance, and digital banking remains limited. The study concludes that financial literacy in rural areas is moderate, and there is a strong need for awareness programs to improve financial decision-making and economic well-being.

KEYWORDS: Financial Literacy, Rural Awareness, Investment Behaviour, Banking Services, Financial Planning.

INTRODUCTION:

Financial literacy is an essential skill that enables individuals to manage money effectively and make informed financial decisions. It includes knowledge about saving, investment, banking services, insurance, and financial planning. In developing countries like India, financial literacy plays a crucial role in improving the economic condition of individuals and promoting financial inclusion.

Tapi district of Gujarat is primarily a rural region where people depend on agriculture, small businesses, and wage labour for their livelihood. Due to limited education and awareness, many people lack knowledge of financial products and services. The present study titled “A Study on Financial Literacy Awareness in Rural Areas of Tapi District” aims to assess the level of financial awareness and understand financial behaviour among rural people.

LITERATURE REVIEW: -

The body of literature on financial literacy and behaviour in India reveals consistent patterns of moderate awareness but limited practical application, particularly among rural, tribal, and vulnerable populations. Across studies, education, income, gender, age, and occupation emerge as the most influential determinants of financial literacy and decision-making. Research on tribal communities in Tapi district (Desai & Sahil, 2025; Dash & Ranjan, 2017) highlights

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moderate awareness of schemes such as VKY but low usage, with women facing restricted financial access and households relying heavily on informal borrowing. Similarly, rural households (Savita & Almas, 2018; Manoj & Manjunatha, 2020) demonstrate weak understanding of financial products despite widespread bank account ownership, underscoring the need for targeted awareness programs.

Youth and students form another critical segment. Studies (Joshi & Patel, 2020; Garg & Singh, 2018; Basu, 2022; Rajasekar, 2015) consistently report low to moderate literacy levels, with gaps in advanced product knowledge despite positive attitudes toward financial management. Social influences and behavioural biases, including overconfidence (Chattopadhyay & Garg, 2020; Nagpal & Sinha, 2015), further complicate rational decision-making. Digital financial literacy is an emerging area of concern. While awareness positively influences usage (Prasad et al., 2018), literacy levels remain low among active investors (Joshi & Mirchandani, 2023), pointing to the urgent need for structured digital education.

Comparative studies (Parmar, Jariwala & Ahir, 2024) position Gujarat at a moderate level of financial literacy relative to other West Zone states, emphasizing the importance of educational initiatives. Within Gujarat, research on salaried employees and farmers (Patel, 2018; Patel & Patel, 2021; Mehta & Bhayani, 2024) shows stronger basic literacy but weak advanced knowledge, with demographic factors—particularly gender and age—shaping outcomes. Farmers' financial literacy is positively linked to farm management, with financial attitude exerting the strongest influence. Micro-entrepreneurs (Kumar & Anees, 2013) and vulnerable youth (Abbas, Kalsum & Pratama, 2023) also exhibit low literacy, often depending on informal lenders or social media for guidance.

National-level reviews (Rath & Patra, 2023; Agarwal & Banerjee, 2021; Agarwal & Chakraborty, 2021) reinforce the broader picture of low literacy across India, stressing its role in financial inclusion and recommending government-supported awareness programs. Studies on specific groups, such as rural women (Kour & Singh, 2018) and working young women (Nagpal & Sinha, 2015), highlight social and educational barriers that limit participation, further widening gender disparities. Meanwhile, salaried individuals in Delhi NCR (Chhillar & Arora, 2020) show no significant demographic differences, suggesting that continuous education is essential across all groups.

Overall, the literature converges on the conclusion that while basic financial literacy is gradually improving, advanced knowledge and rational financial behaviour remain weak. Structural barriers, behavioural biases, and demographic disparities hinder effective financial inclusion. The collective evidence strongly advocates for targeted, structured financial education and awareness programs, particularly for women, rural households, tribal communities, youth, and micro-entrepreneurs. Integrating financial education into curricula, leveraging digital platforms, and addressing behavioural biases are critical strategies to foster rational decision-making and strengthen financial inclusion nationwide.

RESEARCH METHODOLOGY

The present study aims to assess the level of awareness regarding financial literacy among the rural population of Tapi district, to examine their financial behaviour, and to analyse awareness

of financial avenues available to them. A descriptive research design was adopted to capture behavioural patterns and decision-making processes without manipulating variables. Primary data was collected through a structured questionnaire covering saving habits, banking awareness, investment knowledge, borrowing behaviour, and financial planning. Field surveys were conducted across selected rural areas, with a sample size of 199 respondents chosen using convenience and random sampling to ensure representation across age, education, occupation, and income groups. Secondary data was sourced from journals, government reports, and prior studies to provide contextual support. Data analysis employed descriptive statistics such as percentages, frequency distributions, and charts, along with inferential techniques including the Chi-square test to examine relationships between demographic variables and financial awareness. The study is limited to rural areas of Tapi district and focuses exclusively on financial literacy awareness, making findings less generalizable to urban populations. Despite this, the methodology addresses a significant research gap by providing recent, district-specific insights into how education, gender, and income influence financial literacy.

HYPOTHESIS:

H0: There is no significance difference between population mean and sample mean among Tapi district people with respect to the level of financial literacy awareness.

Data Analysis and Interpretation

RESPONSE PROFILE:

About 89.4% (from our survey) of respondents reported owning a bank account, indicating strong banking inclusion, likely supported by initiatives such as Jan Dhan Yojana. However, only 10.6% remain outside the system, showing progress but also gaps. While account ownership is an important step toward financial inclusion, it does not ensure financial literacy. Effective usage and understanding of banking services are essential, highlighting the continued need for awareness and education programs.

How people manage money

Status	Frequency	Percent
I save regularly	63	31.65
I invest in Fixed assets (e.g., land, house)	7	3.51
I invest in Liquid assets (Bond, MF, Shares)	4	2.01
I invest in Govt. Aided Assets (e.g. LIC, PPF, NPS, FD)	4	2.01
Other	14	7.03

The findings reveal that regular saving is the dominant money management practice, with 31.65% of respondents consistently setting aside funds. In contrast, only a small proportion invest in fixed assets (3.51%), liquid assets such as bonds or mutual funds (2.01%), or government-aided schemes like LIC, PPF, NPS, and FDs (2.01%). Another 7.03% follow varied or informal practices under the “other” category. Overall, the data suggests a

conservative financial approach, where saving is prioritized over diversified investment. This highlights the need for greater awareness and participation in formal investment avenues to strengthen long-term financial security.

Awareness about interest rates among people

Status	Frequency	Percent
I understand how interest rates work	29	14.5
I have a basic understanding	124	62
I don't understand interest rates	46	23
Total	199	99.5

The results show that most respondents (62%) have only a basic understanding of interest rates, while just 14.5% fully understand how they work. A notable 23% lack any knowledge, reflecting a significant gap in financial literacy. This suggests that although exposure to banking services exists, deeper comprehension of interest rates is limited. Strengthening awareness programs is essential to help rural populations make informed financial decisions and avoid potential risks.

Awareness about financial planning

Status	Frequency	Percent
Yes	127	63.5
No	72	36.0
Total	199	99.5

Interpretation: The data shows that 45.7% of respondents are aware of financial planning, while 54.3% are not. This indicates that more than half of the respondents lack knowledge about planning their finances. Financial planning helps in goal setting, saving, and investment. Lack of planning may lead to financial insecurity in the future. Many respondents may not be prepared for emergencies or retirement. This reflects a serious awareness gap.

Follow financial planning process for your future life goals

Status	Frequency	Percent
Yes	91	45.5
No	108	54.0
Total	199	99.5

The results show that 54% of respondents have not engaged in financial planning, while 45% have taken steps toward future goals. This indicates mixed awareness, with many recognizing its importance but not translating it into action. The gap highlights the need to promote systematic financial planning to ensure long-term security and stability.

Protection plan against the financial risks

Status	Frequency	Percent
I have insurance	146	73.0
I borrow from friends or family members when I am in trouble	25	12.5
I have emergency fund	21	10.5
Sell my liquid assets to come out of the problem	6	3.0
Other	1	.5
Total	199	99.5

The findings reveal that insurance is the most preferred protection strategy, with 73% of respondents relying on it to safeguard against financial risks. A smaller proportion depend on borrowing from family or friends (12.5%) or maintaining emergency funds (10.5%), while very few sell liquid assets (3%). This highlights a strong trust in insurance but limited diversification in risk management practices.

Awareness about financial products

Product	Aware & Invested	% age	Not aware, Not Invested	% age	Aware but not invested	% age
Saving Bank Account	158	79.39%	11	5.52%	30	15.07%
Fixed Deposit Account	124	62.31%	14	7.03%	61	30.65%
Equity Share	50	25.12%	28	14.07%	121	60.80%
Government Bonds/Debentures	26	13.06%	33	16.58%	140	70.35%
Derivatives (Futures & Options, FNO)	22	11.05%	61	30.65%	116	58.29%
Mutual Funds	43	21.60%	36	18.09%	120	60.30%
SIPs	70	35.17%	32	16.08%	97	48.74%
Insurance	138	69.34%	12	6.03%	49	24.62%
Public Provident Fund	22	11.05%	75	37.68%	102	51.25%

National Pension Scheme (NPS)	13	6.53%	83	41.70%	103	51.75%
Post Office Schemes	16	8.04%	89	44.72%	94	47.23%
Money Market (t-bill, etc.)	16	8.04%	94	47.23%	89	44.72%
Real Estate	27	13.56%	46	23.11%	126	63.31%
Gold	75	37.68%	18	9.04%	106	53.26%
Silver	65	32.66%	20	10.05%	114	57.28%
Gold/Silver Mutual Funds	14	7.03%	105	52.76%	80	40.20%
Sovereign Gold Bond	13	6.53%	119	59.79%	67	33.66%
Crypto Currency	14	7.03%	73	36.68%	112	56.28%
Total	906	100%	949	100%	1727	100%

The data highlights clear differences in awareness and investment across financial products. Saving bank accounts show the highest inclusion, with nearly 80% of respondents both aware and invested, reflecting strong basic financial participation. Insurance (69.3%) and fixed deposits (62.3%) also demonstrate relatively high adoption, indicating preference for secure and familiar options. In contrast, advanced financial products such as equity shares, mutual funds, SIPs, government bonds, derivatives, and PPF/NPS reveal very low investment levels despite moderate awareness, suggesting hesitation or lack of confidence in riskier avenues. For example, while over 25% are aware of equity shares, only a fraction invest, and more than 60% remain aware but not invested. Similarly, gold and silver are more popular as traditional investment choices compared to modern instruments like sovereign gold bonds or cryptocurrency, which show minimal participation. Overall, the findings reveal a conservative financial behaviour pattern, where respondents prefer safe, traditional products but avoid diversified or advanced investments. This gap between awareness and actual investment underscores the need for targeted financial education and awareness programs to encourage broader participation in formal financial markets and enhance long-term financial security.

Cross tab analysis between demographic profile and financial product

H₀: There is no significant association between age and awareness about financial product in the study area.

H₀: There is no significant association between education and awareness about financial product in the study area.

Cross tabulation between Demographic Profile and Financial Products

Financial Products	Age	Education	Financial Planning
Saving Account	H ₀ : Accept	H ₀ : Reject	H ₀ : Reject
Fixed Deposit Account	H ₀ : Reject	H ₀ : Reject	H ₀ : Accept
Equity Share	H ₀ : Accept	H ₀ : Reject	H ₀ : Reject
Government Bonds/Debentures	H ₀ : Accept	H ₀ : Reject	H ₀ : Reject
Derivatives	H ₀ : Accept	H ₀ : Reject	H ₀ : Reject
Mutual Funds	H ₀ : Accept	H ₀ : Reject	H ₀ : Reject
SIPs	H ₀ : Accept	H ₀ : Reject	H ₀ : Accept
Insurance	H ₀ : Reject	H ₀ : Reject	H ₀ : Reject
Public Provident Fund	H ₀ : Accept	H ₀ : Accept	H ₀ : Accept
National Pension Scheme	H ₀ : Accept	H ₀ : Accept	H ₀ : Reject
Post Office Schemes	H ₀ : Accept	H ₀ : Accept	H ₀ : Reject
Money Market (t-bill, etc.)	H ₀ : Accept	H ₀ : Reject	H ₀ : Reject
Real Estate	H ₀ : Accept	H ₀ : Reject	H ₀ : Reject
Gold	H ₀ : Accept	H ₀ : Reject	H ₀ : Reject
Silver	H ₀ : Accept	H ₀ : Accept	H ₀ : Accept
Gold/Silver Mutual Funds	H ₀ : Reject	H ₀ : Reject	H ₀ : Reject
Sovereign Gold Bond	H ₀ : Accept	H ₀ : Accept	H ₀ : Reject
Crypto Currency	H ₀ : Accept	H ₀ : Reject	H ₀ : Reject

The cross-tabulation analysis highlights the relationship between demographic factors and awareness of financial products. Age appears to have limited influence, as most hypotheses (H₀) were accepted, indicating no significant association between age and awareness for products such as saving accounts, equity shares, government bonds, derivatives, mutual funds, SIPs, PPF, NPS, post office schemes, money market instruments, real estate, gold, silver, sovereign gold bonds, and cryptocurrency. However, age showed significant association with awareness of fixed deposits, insurance, and gold/silver mutual funds, suggesting that these products are more age sensitive.

Education, on the other hand, demonstrates a stronger impact. The null hypothesis was rejected for several products, including saving accounts, fixed deposits, equity shares, government bonds, derivatives, mutual funds, SIPs, insurance, money market instruments, real estate, gold, and cryptocurrency. This indicates that education significantly influences awareness of both traditional and advanced financial products. Only for PPF, NPS, post office schemes, silver, and sovereign gold bonds was no significant association found, suggesting that awareness of these products is less dependent on educational background.

The analysis shows that financial planning knowledge significantly enhances awareness and investment across most financial products, including saving accounts, equity shares, mutual funds, SIPs, insurance, and even newer options like cryptocurrency, where p-values are below 0.05. Respondents with planning knowledge are more likely to participate in both traditional and modern instruments. In contrast, products such as fixed deposits and gold show no significant relationship, as they are widely accepted and preferred regardless of financial knowledge. Overall, financial planning plays a crucial role in improving awareness, guiding investment decisions, and encouraging diversification into market-linked products.

Overall, the analysis reveals that education plays a more critical role than age in shaping financial product awareness, particularly for advanced and diversified investment options. This underscores the importance of financial education initiatives to bridge gaps in awareness and encourage informed participation across demographic groups.

FINDINGS FROM THE STUDY:

The study reveals that financial literacy in rural Tapi district is moderate, with strong basic awareness but weak knowledge of advanced financial products. A majority of respondents (89.4%) own bank accounts, reflecting improved financial inclusion, yet their usage is largely limited to deposits and withdrawals. Saving regularly is the most common financial habit, while investment in fixed deposits, insurance, and gold is preferred over advanced instruments such as mutual funds, equity shares, or digital products.

Awareness of interest rates and financial planning remains limited, with most respondents demonstrating only a basic understanding. More than half of the population has not engaged in structured financial planning, highlighting a gap between awareness and action. Insurance is the most trusted risk management tool, while reliance on informal borrowing persists among a notable share of households.

Cross-tabulation analysis shows that education has a stronger influence than age on awareness of financial products, particularly advanced and diversified investments. Respondents with financial planning knowledge are more likely to participate in both traditional and modern instruments. Gender disparities are evident, with male respondents showing higher awareness and participation compared to females. Digital financial literacy and usage remain low, especially among less educated and older groups. Overall, the findings underscore that mere access to banking services does not translate into financial literacy, and structured education remains essential.

CONCLUSION:

The study concludes that financial literacy awareness among rural people in Tapi district is at a moderate level, characterized by strong basic knowledge but weak advanced understanding. While financial inclusion has improved through widespread bank account ownership, effective utilization of financial services and participation in diversified investments remain limited. Saving habits are common, but systematic financial planning and awareness of modern financial avenues are lacking.

Education emerges as a critical determinant of financial literacy, with higher educational attainment linked to better awareness and decision-making. Gender disparities further highlight the need for inclusive strategies to empower women in financial matters. The reliance on traditional products and informal borrowing reflects both cultural preferences and gaps in financial knowledge.

The study emphasizes the urgent need for targeted financial education programs, awareness initiatives, and government-supported interventions to strengthen financial literacy in rural areas. Integrating financial education into curricula, promoting digital literacy, and encouraging diversified investments can help individuals make informed decisions, achieve financial stability, and contribute to broader economic development.

Overall, the study emphasizes the need for increased financial education, awareness programmes, and government initiatives to enhance financial literacy among rural populations.

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