

FINANCIAL LITERACY AMONG INDIAN FARMERS: A SECONDARY-DATA ANALYSIS OF LEVELS, DETERMINANTS AND CONSEQUENCES

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1. Introduction

Agriculture remains the backbone of the Indian economy, engaging over half of the country's workforce and contributing a substantial share of national output. Nevertheless, the sector is persistently marked by income volatility, fragmented landholdings, dependence on monsoons and heavy reliance on informal credit, which together expose farm households to recurrent financial shocks. In this context, financial literacy has come to be recognised as a key determinant of household economic resilience. Lusardi and Mitchell (2014) define financial literacy as people's knowledge of and ability to use basic financial concepts in everyday financial decision-making, operationalised through the widely adopted "Big Three" questions covering interest rates, inflation, and risk diversification.

The importance of this construct is amplified in developing economies. Drawing on the S&P Global Financial Literacy Survey, which covers more than 140 economies, Klapper, Lusardi and van Oudheusden (2015) found that worldwide, only about one in three adults is financially literate, with women, people with low incomes, and the less educated disproportionately affected. For Indian farmers, low literacy is compounded by limited formal access to financial services, making them vulnerable to exploitative lending, poor investment choices, and inadequate risk management. Successive policy interventions (financial inclusion drives, the Kisan Credit Card (KCC), the Pradhan Mantri Jan Dhan Yojana and NABARD-led financial literacy programmes) have widened access to formal accounts.



However, scholars argue that access alone is insufficient. Without the knowledge, attitudes and behaviours conducive to sound financial planning, inclusion does not translate into well-being.

This paper synthesises secondary evidence to answer three questions: (i) What is the prevailing level of financial literacy among Indian farmers? (ii) Which socio-economic factors determine it? Moreover, (iii) What are its consequences for farm-household financial outcomes? By consolidating findings from national surveys and empirical studies, the paper situates farmer financial literacy within the broader agenda of building an inclusive and financially resilient Viksit Bharat by 2047.

2. Review of Literature

The measurement of financial literacy owes much to Lusardi and Mitchell (2011), whose "Big Three" instrument has been incorporated into surveys in more than 40 countries and has repeatedly been shown to predict financial behaviour. Klapper and Lusardi (2020) demonstrate that, unlike in advanced economies, financial literacy in developing countries often declines rather than rises with age, and is strongly linked to financial resilience.

In the Indian farm context, Maji and Laha (2023) provide the most comprehensive assessment, analysing secondary data on 11,030 farmers from the Financial Inclusion Insights survey; they report an average literacy score of only about 33 per cent, conclude that the majority of Indian farmers are financially illiterate, and identify significant regional variation. Extending this line of work, subsequent research links literacy to specific outcomes. Studies on savings behaviour find that financial literacy and financial confidence are instrumental in shaping whether farmers save regularly, with only around 43 per cent of sampled farmers saving consistently (Maji & Laha, 2023). At the state level, Das and Maji (2025) surveyed 505 farmers in West Bengal. They found that a mere 32.87 per cent were financially disciplined, with an average literacy score of just 1.80, evidence of very poor literacy, yet demonstrated that literacy and confidence significantly improve financial discipline. Complementary work on paddy farmers in the same region shows that dimensions of financial literacy reduce technical inefficiency in production, connecting financial knowledge to real agricultural performance.

Regional micro-studies echo these findings. Research on farmers in Kalaburagi, Karnataka, using the OECD toolkit, classified 39 per cent of farmers as having low literacy, 32 per cent moderate and only 29 per cent high, and found literacy to be significantly influenced by age, education, farm income and bank-account ownership, while itself shaping the uptake of crop insurance, KCC, mobile banking and agricultural loans. Collectively, the literature converges on a consistent narrative: farmer financial literacy in India is low and uneven, is driven by education and economic status, and materially affects savings, borrowing, discipline and efficiency.

3. Methodology

This study adopts a descriptive, secondary-data research design. It relies entirely on published sources, comprising (a) national survey reports, principally NABARD's Second All India Rural Financial Inclusion Survey (NAFIS) 2021-22 and the Financial Inclusion Insights survey; (b) peer-reviewed empirical studies published in journals such as the *Agricultural Finance Review and Management Matters*; and (c) cross-country benchmarks from the S&P Global Financial Literacy Survey and the Global Financial Literacy Excellence Center.

The analytical approach is interpretive and comparative. Reported statistics on literacy levels, savings, indebtedness and their determinants were extracted, tabulated and compared across sources and over time to identify convergent patterns. Financial literacy in the underlying studies is predominantly measured using the S&P Global/Big Three framework (interest, inflation, and risk diversification) and, in some micro-studies, the OECD toolkit, encompassing knowledge, attitude, and behaviour. As the study uses only aggregate published data, no primary data collection or ethical clearance was required; its principal limitation is dependence on the definitions, samples and reference periods of the original sources, which are not always directly comparable.

4. Results and Discussion

4.1 Level of Financial Literacy

The evidence points to low but improving literacy. Analysing the Financial Inclusion Insights data, Maji and Laha (2023) find an average literacy score of roughly 33 per cent among Indian farmers, with most respondents financially illiterate. The more recent NAFIS 2021-22 offers a nationally representative and encouraging trend: the proportion of rural respondents demonstrating good financial literacy rose from 33.9 per cent in 2016-17 to 51.3 per cent in 2021-22, and sound financial behaviour rose from 56.4 per cent to 72.8 per cent over the same period (NABARD, 2024). Table 1 summarises the key indicators.

Indicator (rural / farm households)	2016-17	2021-22
Respondents with good financial literacy	33.90%	51.30%
Respondents with sound financial behaviour	56.40%	72.80%
Households reporting any savings	50.60%	66.00%
Households with outstanding debt	47.40%	52.00%
Agri-households borrowing from institutional sources	60.50%	75.50%
Average monthly household income (₹)	8,059	12,698

Source: Compiled from NABARD (2024), NAFIS 2021-22.

4.2 Determinants of Financial Literacy

Across studies, a stable set of determinants emerges. Maji and Laha (2023) identify education, landholding size, income level, and age as significant predictors, using censored tobit and structural equation models. Micro-level evidence from Karnataka similarly finds age, education, farm income and bank-account ownership to be significant, with the model explaining roughly 67 per cent of the variation in literacy and a significant F-ratio (18.52). Studies of savings behaviour also identify household size, financial shocks, gender, farm ownership, the household financial decision-making process, religion, and educational attainment as significant. The recurring salience of education and economic status suggests that literacy gaps are embedded in broader structures of rural disadvantage rather than purely informational.

4.3 Consequences for Financial Outcomes

Higher financial literacy is consistently associated with better outcomes. It improves savings behaviour, as only about 43 per cent of sampled farmers saved regularly, with literacy and confidence acting as key drivers (Maji & Laha, 2023). It strengthens financial discipline: Das and Maji (2025) show that literacy and confidence significantly increase the likelihood that a farmer is financially disciplined, an important channel, given that only a third of their West Bengal sample qualified as disciplined. Literacy also has productive spillovers, reducing technical inefficiency among paddy farmers and thereby linking financial knowledge to farm performance. Importantly, the coexistence in NAFIS 2021-22 of rising literacy with rising indebtedness, with outstanding-debt incidence climbing to 52.0 per cent even as institutional borrowing expanded to 75.5 per cent of agri-households, suggests that literacy shapes not merely whether farmers borrow but how prudently they use formal credit.

5. Conclusion and Recommendations

This paper finds that financial literacy among Indian farmers, though improving, remains a structural constraint on rural well-being. Average literacy is modest, unevenly distributed across regions, and shaped predominantly by education, income, landholding and access to formal finance; where literacy is higher, farmers save more, exhibit greater financial discipline and farm more efficiently. Given agriculture's centrality to the Viksit Bharat 2047 vision, closing the literacy gap is both a welfare and a growth imperative.

The study offers the following recommendations: Financial education should be given to farmers in their own local language through NABARD, banks and Financial Literacy Centres, and it should be planned around how money comes in and goes out for farm families in different seasons and the risks they face, instead of using the same general lessons for everyone. This guidance should reach farmers through places they already deal with, such as Kisan Credit Card renewals, Farmer-Producer Organisations, village cooperative credit societies and self-help groups, so that they get the right advice at the exact time they are making real money decisions. Special focus should be given to women farmers, small farmers and people with little schooling, as studies show they know the least about managing money, and their lessons should keep women's needs in mind and be taught by people from their own community. Mobile phones and digital tools should also be used to spread this knowledge, along with proper safety measures, because farmers who understand money matters are far more likely to use mobile banking, crop insurance and bank loans in the right way.

At the same time, financial education should be made part of school lessons and government farm advice services, as suggested in the National Education Policy (NEP) 2020, so that people learn about money from a young age and keep building on it throughout their lives. Farmers' knowledge of money matters should also be checked at regular intervals by expanding the existing NAFIS survey, to track progress and send help where the gaps are the widest. In the end, simply giving farmers access to banks is not enough. What really matters is helping them use these services wisely, as this will decide whether India's farmers can handle risks, build up their savings and property, and fully share in the growth and prosperity expected for a developed India by 2047.
